



# City of Chicago

Office of the City Clerk

## Document Tracking Sheet



F2014-51

**Meeting Date:**

6/25/2014

**Sponsor(s):**

Dept./Agency

**Type:**

Communication

**Title:**

Motor Fuel Tax Revenue Refunding Bonds, Series 2013  
(Issue of June 2014) Determination Certificate

**Committee(s) Assignment:**



DEPARTMENT OF FINANCE  
CITY OF CHICAGO

June 19<sup>th</sup>, 2014

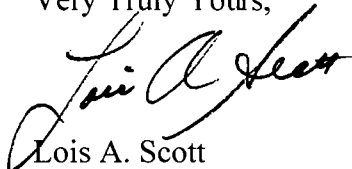
Susana Mendoza, City Clerk  
121 North LaSalle Street  
Room 107  
Chicago, Illinois 60602

RE: Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014)

Dear Ms. Mendoza:

Attached is the Determination Certificate which is required to be filed with your office pursuant to Section 209(g) of the ordinance authorizing the issuance of the above-referenced bonds, which was passed by the City Council on March 13, 2013. Please direct this filing to the City Council.

Very Truly Yours,

  
Lois A. Scott  
Chief Financial Officer

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CITY OF CHICAGO

**\$105,895,000 MOTOR FUEL TAX REVENUE REFUNDING BONDS,  
SERIES 2013 (ISSUE OF JUNE 2014)**

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OFFICE OF THE  
CITY CLERK

**DETERMINATION CERTIFICATE**

A series ordinance adopted by the City of Chicago, Illinois (the "**City**") on March 13, 2013 (the "**Series 2013 Ordinance**"), in accordance with the terms of the City's Motor Fuel Tax Revenue Bonds General Ordinance, adopted on November 28, 1990, as amended by the 2003 Series Ordinance, adopted on March 5, 2003 and, further amended by the Series 2013 Ordinance (the "**General Ordinance**" and, together with the Series 2013 Ordinance, the "**Ordinances**"), authorized the issuance of Additional Bonds in an amount not to exceed \$275,000,000 aggregate principal amount, which Additional Bonds have been issued as Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the "**Series 2013 Bonds**") of the City. The Series 2013 Ordinance authorized the Chief Financial Officer of the City (the "**Chief Financial Officer**") to determine various terms and provisions of the Series 2013 Bonds within limitations established by the Series 2013 Ordinance, to accept on behalf of the City a bond purchase agreement for the Series 2013 Bonds and to take such other actions as are necessary to cause the Series 2013 Bonds to be issued and delivered. The Series 2013 Ordinance provides for the Chief Financial Officer to execute a Determination Certificate setting forth the various determinations made by her with respect to the Series 2013 Bonds. The Chief Financial Officer is to file the Determination Certificate in the Office of the City Clerk of the City, addressed to the City Council.

I am the duly qualified and serving Chief Financial Officer of the City, and, pursuant to a designation by the Mayor of the City, I am an Authorized Officer. On behalf of the City, I have determined that it is desirable at this time for the City to issue the Series 2013 Bonds authorized by the Series 2013 Ordinance in the aggregate principal amount of \$105,895,000 and having the terms specified in this Determination Certificate. Accordingly, I make and file this Determination Certificate in accordance with the Series 2013 Ordinance. All terms used in this Determination Certificate and defined in the General Ordinance or the Series 2013 Ordinance shall have the meanings ascribed to them in the General Ordinance or the Series 2013 Ordinance, as applicable.

I have determined as follows with respect to the Series 2013 Bonds authorized by the Series 2013 Ordinance, in each case within the authority granted to me by the Series 2013 Ordinance:

**Section 1. Findings.** On behalf of the City, I find and determine, as follows:

(a) The City has received an offer from the group of underwriters (the "**Initial Purchasers**") listed in the following sentence to purchase \$105,895,000 aggregate principal amount of Series 2013 Bonds pursuant to a Bond Purchase Agreement, dated June 5, 2014, between the City and the Initial Purchasers, a copy of which is attached as **Exhibit A** to this Determination Certificate (the "**Bond Purchase Agreement**"). The Initial Purchasers are Loop





Capital Markets LLC, BMO Capital Markets GKST Inc., Cabrera Capital Markets, LLC, Robert W. Baird & Co., Blaylock Beal Van, LLC, BNY Mellon Capital Markets, LLC, Mischler Financial Group, Inc., Oppenheimer & Co. Inc. and Rockfleet Financial Services, Inc. Loop Capital Markets LLC is the representative (the "**Representative**") of the Initial Purchasers.

(b) The Bond Purchase Agreement is consistent with the Series 2013 Ordinance. The purchase price of the Series 2013 Bonds specified in the Bond Purchase Agreement (\$115,326,992.85) is comprised of the principal amount of the Series 2013 Bonds (\$105,895,000), plus original issue premium (\$9,994,734.25), less underwriters' discount (\$562,741.40). The compensation to be paid to the Initial Purchasers is \$562,741.40, which results in a purchase price that is not less than 97% of the original principal amount of the Series 2013 Bonds net of accrued interest and original issue discount, in accordance with Section 209(a) of the Series 2013 Ordinance. Since the amount of the original issue discount is zero, it (a) is less than 10% of the aggregate principal amount of the Series 2013 Bonds, in accordance with Section 209(a) of the Series 2013 Ordinance, and (b) does not result in the Series 2013 Bonds having a yield to maturity in excess of the maximum rate of interest specified in Section 206 of the Series 2013 Ordinance.

(c) The Chairman of the Committee on Finance of the City Council has concurred in the acceptance by the City of the Bond Purchase Agreement, as being within the authority granted by the Series 2013 Ordinance.

(d) The terms of the Series 2013 Bonds as specified in this Determination Certificate provide (i) aggregate maturity amounts not greater than those allowed by the Series 2013 Ordinance, (ii) a true interest cost not greater than that allowed by the Series 2013 Ordinance, (iii) a net amount received by the City not less than the amount required by the Series 2013 Ordinance, (iv) redemption terms which are within the limits specified in the Series 2013 Ordinance and (v) a determination of the amount of money which the City may borrow for Project Purposes as provided in the Series 2013 Ordinance. Any changes made by this Determination Certificate to the terms of the Series 2013 Bonds thus will result in the Series 2013 Bonds having substantially the same terms as provided in the Series 2013 Ordinance.

(e) The interest rates for the Series 2013 Bonds set forth in this Determination Certificate are in my judgment the best rates at which the Series 2013 Bonds can be sold on the market under current circumstances. The true interest cost to the City of the Series 2013 Bonds, maturing, bearing interest and being subject to redemption as provided in the Bond Purchase Agreement, is 3.952947% per year (which is less than 18%, the maximum true interest cost set forth in the Series 2013 Ordinance).

(f) The City has received an offer from Assured Guaranty Municipal Corp. (the "**Bond Insurer**") to provide a municipal bond insurance policy (the "**Policy**") for the Series 2013 Bonds maturing on January 1 of the years 2030 through 2033, inclusive (the "**Insured Series 2013 Bonds**"), insuring the scheduled payments of principal of and interest on the Insured Series 2013 Bonds when due. The Policy is a Credit Support Instrument and the Bond Insurer is a Qualified Provider. The Policy facilitates the marketing and sale of the Series 2013 Bonds and will permit the completion of such sale in a timely manner. The Policy is available at an acceptable premium. It is necessary and in the best interests of the City to accept that offer and

to purchase the Policy for the Insured Series 2013 Bonds. The provisions of Section 3 of this Certificate are necessary to obtain that insurance and are consistent with the Ordinances. It is not necessary that the City enter into a reimbursement agreement with the Bond Insurer in connection with the Policy.

(g) In connection with the sale and issuance of the Series 2013 Bonds, the Chief Financial Officer does not identify any Qualified Swap Agreements, Qualified Options, Non-Qualified Swap Agreements, Non-Qualified Options, or Reserve Fund Credit Instruments. No remarketing agent or tender agent shall be retained in connection with the Series 2013 Bonds.

(h) In order to effect the refunding of the Outstanding Series 2003A Bonds maturing on January 1 of the years 2015 to 2026, inclusive, 2028 and 2033 (collectively, the "**Refunded Bonds**"), the City shall enter into an Escrow Deposit Agreement, dated as of June 19, 2014 (the "**Escrow Deposit Agreement**"), with Amalgamated Bank of Chicago, in its capacities as trustee under the General Ordinance and as escrow trustee, in the form attached as **Exhibit B**. Amalgamated Bank of Chicago is designated as escrow trustee (the "**Escrow Trustee**") under the Escrow Deposit Agreement. The Refunded Bonds shall be redeemed on July 22, 2014 from moneys on deposit with the Escrow Trustee under the Escrow Deposit Agreement. The Trustee is instructed to call the Refunded Bonds for redemption on July 22, 2014 in accordance with the provisions of the Series 2013 Ordinance and the Escrow Deposit Agreement.

(i) The City reserves the right to issue additional series or subseries of Bonds in the future pursuant to one or more subsequent determination certificates executed pursuant to the Series 2013 Ordinance. This Determination Certificate, together with any such subsequent determination certificate, shall constitute the "Determination Certificate" within the meaning of that term in the Series 2013 Ordinance.

(j) This Determination Certificate is consistent with the terms of sale of the Series 2013 Bonds in the Bond Purchase Agreement;

## **Section 2. Bond Terms.**

(a) The aggregate principal amount of the Series 2013 Bonds shall be \$105,895,000.

(b) The Series 2013 Bonds are designated and shall be issued as bonds the interest on which is excluded from gross income for federal income tax purposes, pursuant to Sections 209 and 1101 of the Series 2013 Ordinance and Sections 908 and 910 of the General Ordinance.

(c) As provided in Section 202 of the Series 2013 Ordinance, the Series 2013 Bonds shall be issued for the purposes of (i) providing funds to refund the Refunded Bonds, (ii) pay the costs of the Policy for the Insured Series 2013 Bonds, and (iii) paying Costs of Issuance of the Series 2013 Bonds.

(d) As provided in the Bond Purchase Agreement, the Series 2013 Bonds shall be dated as of the date they are issued and delivered. The Series 2013 Bonds shall be issued as Serial Bonds as set forth in subsection (e) below but shall not be issued as capital appreciation bonds or Variable Rate Bonds. The Series 2013 Bonds shall be issued initially in the form of a single fully registered Series 2013 Bond for each maturity.

(e) The Series 2013 Bonds shall mature on January 1 in each of the following years and in the following principal amounts and shall bear interest at the following rates per year payable on each January 1 and July 1 with the first interest payment date being January 1, 2015:

<b><u>Maturity Year</u></b> <b><u>(January 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>
2015	\$3,115,000	2.00%
2016	3,655,000	5.00
2017	3,835,000	5.00
2018	4,030,000	5.00
2019	4,230,000	5.00
2020	4,435,000	5.00
2021	4,660,000	5.00
2022	4,895,000	5.00
2023	5,135,000	5.00
2024	5,405,000	5.00
2025	5,670,000	5.00
2026	5,955,000	5.00
2027	6,250,000	5.00
2028	6,560,000	5.00
2029	6,890,000	5.00
2030	7,230,000	5.00
2031	7,595,000	5.00
2032	7,975,000	5.00
2033	8,375,000	5.00

(f) The Series 2013 Bonds shall be numbered from R-1 upward.

(g) The Series 2013 Bonds maturing on and prior to January 1, 2024 are not subject to redemption prior to maturity at the option of the City. The Series 2013 Bonds due on and after January 1, 2025, are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after January 1, 2024, at the redemption price (expressed as a percentage of the principal amount to be redeemed) of 100%, plus accrued interest to the date of redemption.

(h) The Bond Purchase Agreement has been approved and executed by me on on behalf of and in the name of the City, with the concurrence of the Chairman of the Committee on Finance of the City Council.

(i) The amount of the 2013 Reserve Requirement shall be \$0.00.

(j) The distribution of the Preliminary Official Statement, dated May 29, 2014, attached to this Determination Certification as ***Exhibit C***, to prospective purchasers of the Series 2013 Bonds has been approved and ratified.

(k) The final Official Statement, dated June 5, 2014, attached to this Determination Certificate as ***Exhibit D***, its execution on behalf of the City and its distribution to purchasers of the Series 2013 Bonds, are authorized and approved.

### **Section 3. The Policy.**

(a) The City shall acquire the Policy from the Bond Insurer. The cost of acquiring the Policy shall be treated as a Cost of Issuance of the Series 2013 Bonds.

(b) The City adopts the following covenants and provisions governing the Policy, the General Ordinance (but only as applicable to the Insured Series 2013 Bonds) and the Series 2013 Ordinance:

(i) Additional Bonds. The City may issue Additional Bonds in compliance with the requirements of Section 907 of the General Ordinance as it currently exists.

(ii) No Purchase by City. Without the prior written consent of the Bond Insurer, no Insured Series 2013 Bonds shall be purchased by the City or any of its affiliates, in lieu of redemption, unless such Insured Series 2013 Bonds are redeemed, defeased or cancelled.

(iii) Interest Rate Exchange Agreements. Qualified Swap Agreements and Non-Qualified Swap Agreements to be entered into by the City with respect to the Insured Series 2013 Bonds ("**Interest Rate Exchange Agreements**") shall meet the following conditions: (i) each Interest Rate Exchange Agreement must be entered into to manage interest costs related to, or as a hedge against (a) assets then held, (b) debt then outstanding, or (c) debt reasonably expected to be issued or incurred within thirty-six months of entering into the Interest Rate Exchange Agreement, and (ii) the Interest Rate Exchange Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component. Unless otherwise consented to in writing by the Bond Insurer, the net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Insured Series 2013 Bonds and on any Additional Bonds, *provided*, that any insured termination amounts shall be on a parity with the obligations under any Interest Rate Exchange Agreements and any uninsured termination amounts shall be subordinate to the obligations under any Interest Rate Exchange Agreements and on any debt on a parity with the obligations under any Interest Rate Exchange Agreements. The City shall not terminate any such Interest Rate Exchange Agreement unless it demonstrates to the satisfaction of the Bond Insurer prior to the payment of any such termination amount that such payment will not cause the City

to be in default under the Ordinances, as the Ordinances may be amended or supplemented. All counterparties or guarantors to any such Interest Rate Exchange Agreement must have a rating of at least "A" and "A2" by Standard & Poor's ("**S&P**") and Moody's Investors Service ("**Moody's**"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Interest Rate Exchange Agreement, which credit support annex shall be acceptable to the Bond Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baa3" or "BBB-" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Bond Insurer, shall be required.

(iv) Reporting Requirements. The City will furnish to the Bond Insurer:

(1) Any reports, notices or certifications prepared under the Ordinances with respect to collection and application of Motor Fuel Tax Revenues or Additional City Revenues;

(2) prior to issuing Additional Bonds, copies of any disclosure document and any Series Ordinance pertaining to such Additional Bonds, which shall include, without limitation, the applicable maturity schedule, interest rate or rates, redemption provisions and security provisions pertaining to any such Additional Bonds; and

(3) within thirty (30) days following the commencement of any litigation or investigation of which responsible officers of the City have notice that may have a material adverse affect on Motor Fuel Tax Revenues or Additional City Revenues, notice of the commencement of such litigation or investigation.

(v) Notices and Other Information.

(1) Any notice that is required to be given to holders of the Insured Series 2013 Bonds (the "**Insured Bondholders**"), nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Trustee pursuant to the Ordinances shall also be provided to the Bond Insurer simultaneously with the sending of such notices. In addition, to the extent that the City has entered into a continuing disclosure agreement with respect to the Insured Series 2013 Bonds, all information furnished pursuant to such agreement shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information under such agreement.

(2) The Bond Insurer shall have the right to receive such additional information from the City pertaining to the Insured Series 2013 Bonds, Motor Fuel Tax Revenues and Additional City Revenues as the Bond Insurer may reasonably request.

(3) The City will permit the Bond Insurer to discuss the affairs, finances and accounts of the City pertaining to the Insured Series 2013 Bonds, Motor Fuel Tax Revenues and Additional City Revenues or any information the Bond Insurer may reasonably request regarding the security for the Insured Series 2013 Bonds with the Comptroller. The Trustee, at the direction of the City, or the City, as appropriate, will permit the Bond Insurer to have access to and to make copies of all books and records pertaining to the Insured Series 2013 Bonds, Motor Fuel Tax Revenues and Additional City Revenues at any reasonable time upon reasonable prior notice. Such inspections and discussions shall be conducted during normal business hours and shall not unreasonably disrupt the business of the City.

(4) The Bond Insurer agrees that it and its agents, accountants and attorneys shall keep confidential any matter of which it becomes aware through such inspections or discussions (unless readily available from public sources), except as may be otherwise required by regulation, law, or court order or as may be requested by appropriate governmental authorities or as may be necessary to preserve its rights or security under or, to the extent permitted by this Section 3, to enforce the Insured Series 2013 Bonds, the General Ordinance and the Series 2013 Ordinance; provided that the foregoing shall not limit the right of the Bond Insurer to make such information available to its regulators, bond rating agencies, reinsurers, liquidity providers, counsel and accountants. If the Bond Insurer is requested or required (by oral questions, interrogatories, requests for information or document subpoenas, civil investigative demands or similar process) to disclose any information of which it becomes aware through such inspections or discussions, the Bond Insurer will promptly notify the City of such requests so that the City may seek an appropriate protective order and/or waive the Bond Insurer's compliance with the provisions of this paragraph.

(5) The Trustee shall notify the Bond Insurer of any failure of the City to provide notices, certificates and other information required to be provided by the City to the Trustee under the Ordinances.

(6) All notices required to be given to the Bond Insurer under this Determination Certificate shall be in writing and shall be sent by registered or certified mail addressed to Assured Guaranty Municipal Corp., 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: General Counsel, with a copy to Assured Guaranty Municipal Corp., 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Risk Management Department — Public Finance Surveillance.

(vi) Bonds Not Discharged After Payments Under Policy. If the principal of and/or interest due on the Insured Series 2013 Bonds are paid by the Bond Insurer pursuant to the Policy, (a) the Insured Series 2013 Bonds shall remain outstanding for all purposes, shall not be deemed to be defeased or otherwise satisfied, and shall not be considered paid by the City, and (a) the pledge, assignment and grant of a lien on and security interest in the Motor Fuel Tax Revenues and Additional City Revenues pursuant to Section 204 of the General Ordinance and all covenants, agreements and other

obligations of the City under the Ordinances to the Insured Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and (c) the Bond Insurer shall be subrogated to the rights of the Insured Bondholders, including, without limitation, any rights that such Insured Bondholders may have in respect of securities law violations arising from the offer and sale of the Insured Series 2013 Bonds.

(vii) Defeasance Requirements. In addition to other applicable requirements of the Ordinances, all or any portion of the Insured Series 2013 Bonds shall not be considered to be defeased under Section 1201(2) of the General Ordinance unless (1) a defeasance escrow agreement meeting the requirements of paragraph (viii) below is used, (2) the Bond Insurer is provided with an opinion or opinions of counsel reasonably satisfactory to it to the effect that the defeasance escrow agreement has been duly authorized, executed and delivered by the City and is a valid, binding and enforceable obligation of the City in accordance with its terms, and (3) the Bond Insurer is provided with an opinion of nationally recognized bond counsel to the effect that the defeasance of such Insured Series 2013 Bonds in the manner contemplated by the defeasance escrow agreement will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Insured Series 2013 Bonds.

(viii) Requirements for Defeasance Escrow Agreements. Any defeasance escrow agreement shall meet the following requirements:

(1) any substitution of securities in the escrow account may be effected only with the advance written consent of the Bond Insurer and only if the Bond Insurer is provided with a verification report in form and substance satisfactory to it confirming the sufficiency of escrow receipts without reinvestment to meet escrow requirements following such substitution;

(2) the City will not exercise any right to redeem the defeased Insured Series 2013 Bonds, other than by mandatory sinking fund redemption, unless (A) the right to effect such redemption was expressly reserved in the defeasance escrow agreement and the reserved right was disclosed in detail in the Official Statement or other disclosure document for the refunding bonds, and (B) the Bond Insurer is provided with a verification report in form and substance satisfactory to it confirming the sufficiency of escrow receipts without reinvestment to meet escrow requirements remaining following such redemption; and

(3) the defeasance escrow agreement may not be amended, nor may the City enter into a forward purchase agreement or other similar agreement with respect to rights in the escrow account, without the prior written consent of the Bond Insurer.

(ix) Resignation or Removal of Trustee; Successor Trustee; Trustee Name Change. The Trustee shall provide the Bond Insurer with prior written notice of any name change of the Trustee or the resignation of the Trustee. The City shall provide the Bond Insurer with advance written notice of its removal of the Trustee pursuant to Section 807 of the General Ordinance and of its appointment of a successor Trustee



pursuant to Section 808 of the General Ordinance. The Bond Insurer shall have the same rights under Section 807 of the General Ordinance to request the City to remove the Trustee as the Insured Bondholders. Any successor Trustee appointed by the City shall be acceptable to the Bond Insurer, the consent of which shall not be unreasonably withheld.

(x) Amendments and Supplements.

(1) The City shall provide the Bond Insurer with advance written notice of any proposed amendment to the Ordinances. Such notice shall include a copy of any such proposed amendment.

(2) The Bond Insurer shall have the same right to consent to modifications or amendments to the Ordinances made pursuant to Section 1003 of the General Ordinance with the consent of Holders of the Bonds as the Insured Bondholders.

(3) Copies of any amendments or supplements to the Ordinances which are consented to by the Bond Insurer shall be sent, by the City or the Trustee, to any rating agencies that have assigned a rating to the Insured Series 2013 Bonds.

(xi) Effect of Actions on Insured Bondholders. For all purposes of the Ordinances, in determining whether the rights of Insured Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Ordinances, the Trustee shall consider the effect on such Insured Bondholders as if there were no Policy.

(xii) Bond Insurer as Third Party Beneficiary. The Bond Insurer is a third party beneficiary of the Ordinances and may enforce directly any right, remedy or claim conferred, given or granted under the Ordinances to the Bond Insurer or the Insured Bondholders.

(xiii) Control of Remedies. If the City shall default in its performance or observance of any of the covenants, agreements or conditions on its part contained in the General Ordinance, the Bond Insurer shall be deemed to be the Insured Bondholder for purposes of (a) requesting or directing the Trustee to take actions to enforce rights or pursue remedies under Article XI of the General Ordinance or for any other similar purposes, and (b) granting any consent, direction or approval or taking any action permitted by or required under the Ordinances, as the case may be, to be granted or taken by Insured Bondholders.

(xiv) Consent Rights of the Bond Insurer.

(1) Consent of the Bond Insurer. Any provision of the Ordinances and this Determination Certificate expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner that adversely affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

(2) Consent of the Bond Insurer in Addition to Bondholder Consent. Wherever the Ordinances permit or require the consent of Insured Bondholders, the Bond Insurer's consent shall also be required.

(3) Consent of the Bond Insurer in Certain Events of Insolvency. Any reorganization or liquidation plan with respect to the City must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Insured Bondholders, absent a default by the Bond Insurer under the Policy.

(xv) Payment Procedure Under the Policy.

(1) At least two (2) Business Days prior to each payment date on the Insured Series 2013 Bonds, the Trustee will determine whether there will be sufficient funds to pay all principal of and interest on the Insured Series 2013 Bonds due on such payment date and shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the Insured Series 2013 Bonds to which such deficiency is applicable, and whether the deficiency pertains to principal of or interest on the Insured Series 2013 Bonds or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

(2) The Trustee shall, after giving notice to the Bond Insurer as provided in paragraph 1 above, make available to the Bond Insurer and, at the Bond Insurer's direction, to any Paying Agent, the registration books of the City maintained by the Trustee and all records relating to the funds maintained under the Ordinances.

(3) The Trustee shall provide the Bond Insurer and any Paying Agent with a list of Insured Bondholders entitled to receive principal or interest payments from the Bond Insurer under the terms of the Policy, and shall make arrangements with the Bond Insurer, the Paying Agent or another designee of the Bond Insurer to (i) mail checks or drafts to the registered owners of Insured Series 2013 Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) pay principal upon Insured Series 2013 Bonds surrendered to the Bond Insurer, the Paying Agent or another designee of the Bond Insurer by the Insured Bondholders entitled to receive full or partial principal payments from the Bond Insurer.

(4) The Trustee shall, at the time it provides notice to the Bond Insurer of any deficiency pursuant to paragraph 1 above, notify the Insured Bondholders entitled to receive the payment of principal or interest from the Bond Insurer (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the Bond Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of the Insured Bondholder's

entitlement thereto and delivery to the Bond Insurer or any Paying Agent, in form satisfactory to the Bond Insurer, of an appropriate assignment of the Insured Bondholder's right to payment, (iii) that, if Insured Bondholders are entitled to receive partial payment of principal from the Bond Insurer, they must surrender the related Insured Series 2013 Bonds for payment first to the Trustee, which will note on such Insured Series 2013 Bonds the portion of the principal paid by the Trustee, and second to the Bond Insurer or its designee, together with an appropriate assignment, in form satisfactory to the Bond Insurer, to permit ownership of such Insured Series 2013 Bonds to be registered in the name of the Bond Insurer, which will then pay the unpaid portion of the principal, and (iv) that, if Insured Bondholders are entitled to receive full payment of principal from the Bond Insurer, they must surrender the related Insured Series 2013 Bonds for payment to the Bond Insurer or its designee, rather than the Trustee, together with an appropriate assignment, in form satisfactory to the Bond Insurer, to permit ownership of such Insured Series 2013 Bonds to be registered in the name of the Bond Insurer.

(5) In addition, if the Trustee has notice that any Insured Bondholder has been required to disgorge payments of principal or interest on such Insured Series 2013 Bonds previously Due for Payment (as such term is defined in the Policy) pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Insured Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Bond Insurer or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

(6) The Trustee is irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Insured Bondholders as follows:

a. If and to the extent there is a deficiency in amounts required to pay interest on the Insured Series 2013 Bonds, the Trustee shall (a) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent for such Insured Bondholders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (b) receive as designee of the respective Insured Bondholders (and not as Trustee) in accordance with the tenor of the Policy payment from the Bond Insurer with respect to the claims for interest so assigned, and (c) disburse the same to such respective Insured Bondholders; and

b. If and to the extent of a deficiency in amounts required to pay principal of the Insured Series 2013 Bonds, the Trustee shall (a) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent for such Holder in any legal proceeding related to the payment of such principal and an assignment to the Bond Insurer of the Insured Series 2013 Bonds

surrendered to the Bond Insurer in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Bond Insurer is received), (b) receive as designee of the respective Insured Bondholders (and not as Trustee) in accordance with the tenor of the Policy payment therefor from the Bond Insurer, and (c) disburse the same to such Insured Bondholders.

(7) Payments with respect to claims for interest on and principal of Insured Series 2013 Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the City with respect to such Insured Series 2013 Bonds, and the Bond Insurer shall become the owner of such unpaid Insured Series 2013 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(8) Irrespective of whether any such assignment is executed and delivered, the City and the Trustee agree for the benefit of the Bond Insurer that:

a. to the extent the Bond Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the Insured Series 2013 Bonds, the Bond Insurer will be subrogated to the rights of Insured Bondholders to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in the Ordinances and the Insured Series 2013 Bonds; and

b. they will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the Ordinances and the Insured Series 2013 Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Insured Series 2013 Bonds to Insured Bondholders; and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(9) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant to the Ordinances and this Determination Certificate or under law or in equity, the City agrees to pay or reimburse the Bond Insurer, to the extent permitted by law, any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which the Bond Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Bond Insurer within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in

connection with, in respect of or relating to the transactions contemplated by the Ordinances and this Determination Certificate by reason of:

a. any omission or action (other than of or by the Bond Insurer) in connection with the offering, issuance, sale, remarketing or delivery of the Insured Series 2013 Bonds;

b. the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any City Council member, officer, employee or agent of the City in connection with any transaction arising from or relating to the Ordinances and this Determination Certificate;

c. the violation by the City of any law, rule or regulation, or any judgment, order or decree applicable to it;

d. the breach by the City of any representation, warranty or covenant under the Ordinances and this Determination Certificate or the occurrence, in respect of the City under the Ordinances and this Determination Certificate of any "event of default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

e. any untrue statement or alleged untrue statement of a material fact contained in any official statement relating to the Insured Series 2013 Bonds, if any, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement, if any, and furnished by the Bond Insurer in writing expressly for use therein.

(10) The Bond Insurer shall be entitled to pay principal of or interest on the Insured Series 2013 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such term is defined in the Policy) and any amounts due on the Insured Series 2013 Bonds as a result of acceleration of the maturity thereof in accordance with this Policy, whether or not the Bond Insurer has received a Notice (as defined in the Policy) of Nonpayment or a claim upon the Policy.

(11) In addition, the Bond Insurer shall, to the extent it makes any payment of principal or interest on the Insured Series 2013 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of claims for interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the City maintained by the Trustee, upon receipt of proof of payment of interest thereon to the registered Insured Bondholders, and (ii) in the case of claims for principal, the Trustee, if any, shall note the Bond Insurer's

rights as subrogee on the registration books of the City maintain by the Trustee, upon surrender of the Insured Series 2013 Bonds together with receipt of proof of payment of principal thereof.

(xvi) City's Obligations Limited. Any obligations of the City to the Bond Insurer under the Ordinances and this Determination Certificate shall be payable only from Motor Fuel Tax Revenues and Additional City Revenues available for the purpose under the Ordinances. Such obligations are not and shall not be general obligations of the City. The City may not be compelled to exercise any of its taxing powers or to apply any of its funds derived from sources other than Motor Fuel Tax Revenues and Additional City Revenues to pay any of such obligations.

(xvii) Duration of Bond Insurer's Rights. All provisions of this Determination Certificate, the General Ordinance and the Series 2013 Ordinance regarding consents, approvals, directions, appointments or requests by the Bond Insurer shall apply only during such time as the Insured Series 2013 Bonds are Outstanding and shall not apply in the event (a) the Bond Insurer has failed to make any payment pursuant to the terms of the Policy and such payment has not been cured or (b) the Policy shall at any time for any reason cease to be valid and binding on the Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision of the Policy is being contested by the Bond Insurer, the City or any other governmental agency or (c) the Bond Insurer is denying further liability or obligation under the Policy.

#### **Section 4.     Disposition of Proceeds.**


As provided in Section 601 of the Series 2013 Ordinance, on behalf of the City, I determine that the proceeds received upon the sale of the Series 2013 Bonds (net of the underwriters' discount in the amount of \$562,741.40) in the amount of \$115,326,992.85 shall be applied as follows:

(a)     \$114,727,261.42 of the proceeds from the sale of the Series 2013 Bonds shall be transferred to the Escrow Agent to be held, invested and applied as provided in the Escrow Deposit Agreement; and

(b)     \$599,731.43 of the proceeds of sale of the Series 2013 Bonds shall be deposited in the Series 2013 Project Account and applied as provided in Section 602 of the Series 2013 Ordinance to pay Costs of Issuance of the Series 2013 Bonds, including the premium for the Policy in the amount of \$69,385.30.

***[Signature Page Follows]***

Dated: June 19, 2014

  
\_\_\_\_\_  
Lois A. Scott, Chief Financial Officer  
City of Chicago

**EXHIBIT A**

**BOND PURCHASE AGREEMENT**



## **BOND PURCHASE AGREEMENT**

**\$105,895,000**

**CITY OF CHICAGO**

**Motor Fuel Tax Revenue Refunding Bonds, Series 2013  
(Issue of June 2014)**

June 5, 2014

City of Chicago  
Office of the Chief Financial Officer  
121 North LaSalle Street, Suite 700  
Chicago, Illinois 60602

Ladies and Gentlemen:

The undersigned, Loop Capital Markets LLC (the "*Representative*"), on behalf of itself and the other underwriters listed in **Schedule I** attached hereto (the "*Underwriters*"), hereby offers to enter into this Bond Purchase Agreement (the "*Agreement*") with the City of Chicago (the "*City*") for the purchase by the Underwriters, and sale by the City, of all but not less than all of the City's Bonds specified below. This offer is made subject to the acceptance by the City at or before 5:00 P.M., Chicago time, on the date hereof, and upon such acceptance this Agreement shall be in full force and effect in accordance with its terms and shall be binding on the City and the Underwriters.

The scheduled payment of principal of and interest on the Bonds maturing on January 1 of the years 2030 through 2033, inclusive (the "*Insured Bonds*"), when due will be guaranteed under an insurance policy (the "*Policy*") to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. (the "*Bond Insurer*").

The Representative is authorized, and hereby represents and warrants that it is authorized, to act as Representative of the Underwriters and to execute this Agreement and has full authority to take such action as it may deem advisable with respect to all matters pertaining to this Agreement. Each Underwriter hereby severally represents to the City that it is registered and in good standing under the Securities Exchange Act of 1934, as amended (the "*1934 Act*") as a municipal securities dealer.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement, as defined herein.

### **1. Agreement to Sell and Purchase.**

(a) Upon the terms and conditions and based upon the representations, warranties and covenants herein set forth, the Underwriters, jointly and severally, hereby agree to

purchase from the City, and the City hereby agrees to sell to the Underwriters, its \$105,895,000 Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the "*Bonds*"). The Bonds shall have the principal amounts and maturities, and shall bear interest at the rates and be subject to redemption prior to maturity, as shown in **Exhibit A** hereto.

The purchase price for the Bonds shall be \$115,326,992.85 (representing the principal amount of the Bonds, plus original issue premium of \$9,994,734.25, less an Underwriters' discount of \$562,741.40) payable at the time of delivery of the Bonds upon satisfaction of the conditions described in Section 11 hereof and defined in Section 8 hereof as the "*Closing*."

(b) It shall be a condition to the City's obligation to sell and deliver the Bonds that all Bonds be purchased and paid for by the Underwriters at the Closing and a condition to the Underwriters' obligation to purchase and pay for the Bonds that all Bonds be issued, sold and delivered by the City at the Closing.

2. **The Ordinances.** The Bonds are being issued to: (i) refund all or a portion of certain of the City's Outstanding Motor Fuel Tax Revenue Bonds (the "*Refunded Bonds*") and (ii) pay certain costs of issuing the Bonds. The Bonds are being issued pursuant to the home rule powers of the City under Article VII, Section 6(a) of the Illinois Constitution of 1970, and under and pursuant to the City of Chicago 2013 Series and Supplemental Ordinance Authorizing the Issuance of City of Chicago Motor Fuel Tax Revenue Bonds, Series 2013 and Motor Fuel Tax Revenue TIFIA Bond(s) and Certain Amendments to the General Ordinance, duly adopted by the City Council of the City (the "*City Council*") on March 13, 2013 (the "*Series 2013 Bond Ordinance*") and the Motor Fuel Tax Revenue Bonds General Ordinance of the City duly adopted by the City Council on November 28, 1990, as amended (the "*General Ordinance*"). The Series 2013 Bond Ordinance and the General Ordinance are collectively referred to herein as the "*Ordinances*." Amalgamated Bank of Chicago, Chicago, Illinois, is the trustee (the "*Trustee*"), paying agent and bond registrar under the General Ordinance and the escrow agent (the "*Escrow Agent*") under the Escrow Agreement (as defined herein).

3. **The Preliminary Official Statement.** Attached hereto as **Exhibit B** is a copy of the Preliminary Official Statement of the City, dated May 29, 2014, relating to the Bonds (the "*Preliminary Official Statement*"). For purposes of Rule 15c2-12 ("*Rule 15c2-12*") of the Securities and Exchange Commission (the "*SEC*"), the Preliminary Official Statement was "deemed final" by the City as of its date except for the omission of such information as is permitted by Rule 15c2-12.

4. **Public Offering Price.** The Underwriters have agreed to make a bona fide public offering of the Bonds at the initial offering prices or yields set forth in **Exhibit A** and to be set forth in the Official Statement (as defined herein). Subsequent to such initial public offering, the Underwriters reserve the right to change such initial public offering prices or yields as the Underwriters deem necessary in connection with the marketing of the Bonds.

5. The Official Statement.

(a) The City shall provide, or cause to be provided, at its expense, to the Underwriters within seven (7) business days after the City's acceptance of this Agreement, but in no event later than the Closing, three (3) copies of the Official Statement of the City, dated the date hereof, relating to the Bonds (the "*Official Statement*"), signed on behalf of the City by the Mayor or the Chief Financial Officer and the Official Statement so delivered shall be "complete" for purposes of Rule 15c2-12. Such delivery of the Official Statement shall occur in sufficient time to accompany any confirmation that requests payment from any customer and in sufficient quantity to permit the Underwriters to comply with Rule 15c2-12 and other applicable rules of the SEC and the Municipal Securities Rulemaking Board ("*MSRB*").

(b) If on or prior to the Closing or within twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined) any event known to the City relating to or affecting the City, the Ordinances or the Bonds, shall occur which would cause any statement of a material fact contained in the Official Statement to be materially incorrect or materially incomplete, the City will promptly notify the Representative in writing of the circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City's sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term "*end of the underwriting period*" shall mean the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Bonds for sale to the public. The Underwriters agree that the date on which the end of the underwriting period shall occur shall be the date of the Closing, unless the Underwriters otherwise notify the City in writing prior to twenty-five (25) days after the date of the Closing that, to the best of their knowledge, the Underwriters retain for sale to the public an unsold balance of the Bonds, in which case the end of the underwriting period shall be extended for additional periods of thirty (30) days each upon receipt of an additional written notification from the Underwriters that, to the best of their knowledge, there exists an unsold balance of the Bonds but in no event shall the end of the underwriting period be extended longer than sixty (60) days after the date of Closing.

(c) At or prior to the Closing, the Representative shall file, or cause to be filed, the Official Statement with the MSRB in compliance with the rules of the SEC and the MSRB.

6. Representations and Warranties of the City. The City represents and warrants to the Underwriters as of the date hereof that:

(a) The City is a municipal corporation and home rule unit of local government, existing under the Constitution and laws of the State of Illinois (the “State”).

(b) The City Council has: (i) duly adopted the Ordinances, which remain in full force and effect; (ii) duly authorized the use of the Preliminary Official Statement prior to the date hereof in connection with the public offering and sale of the Bonds and duly authorized the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Bonds; and (iii) duly authorized and approved the execution and delivery of the Bonds, one or more escrow deposit agreements to be executed and delivered by the City (any such escrow agreement or agreements collectively referred to herein as the “*Escrow Agreement*”) in connection with the refunding of the Refunded Bonds described in Exhibit C attached hereto, this Agreement, and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the “*Undertaking*”).

(c) The City has full legal right, power and authority to: (i) adopt the Ordinances; (ii) execute and deliver this Agreement, the Escrow Agreement, and the Undertaking; (iii) issue, sell and deliver the Bonds to the Underwriters pursuant to the Ordinances as provided in this Agreement; and (iv) pay the Bonds from the sources pledged under the Ordinances for their payment.

(d) The adoption of the Ordinances and compliance with the provisions thereof do not, and the execution and delivery of this Agreement, the Escrow Agreement, and the Undertaking will not, in any material manner, violate any applicable law or administrative regulation of the State or any department, division, agency or instrumentality thereof or of the United States of America (the “*United States*”) or of any department, division, agency or instrumentality thereof, or any applicable judgment or decree to which the City is subject, or conflict with, in a material manner, or constitute a material breach of, or a material default under, any ordinance, agreement or other instrument to which the City is a party or is otherwise bound.

(e) All approvals, consents and orders of, and filings (except, if any, under applicable state “blue sky” laws) with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under this Agreement, the Escrow Agreement, the Ordinances and the Bonds have been obtained or made.

(f) The Official Statement (excluding any descriptions of The Depository Trust Company (“DTC”), information under the captions “THE SERIES 2013 BONDS — Book-Entry Only System,” “BOND INSURANCE,” “TAX EXEMPTION,” “RATINGS,” “UNDERWRITING,” and Appendix C, and any information in or omitted from the Official Statement relating to DTC and the Bond Insurer and information furnished by the Bond Insurer and the Underwriters for use in the Official Statement) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) This Agreement, the Escrow Agreement, and the Undertaking, when duly executed and delivered by the parties thereto, as appropriate, will constitute, and the Ordinances do now constitute, legal, valid and binding obligations of the City enforceable in accordance with their respective terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(h) When delivered to the Representative, and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Bonds will be duly authorized, executed and delivered and will constitute legal, valid and binding limited obligations of the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(i) There is no action, suit or proceeding, at law or in equity, or before or by a court, public board or body, pending or, to the City's knowledge, threatened, against the City wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Ordinances, this Agreement, the Escrow Agreement, or the Undertaking.

(j) The City has not taken, or omitted taking, and will not take or omit to take, any action, which action or omission would adversely affect the excludability from federal income taxation of the interest on the Bonds under the Internal Revenue Code of 1986, as amended.

(k) Any certificate signed by any official of the City and delivered to the Representative at the Closing in connection with the issuance or sale of the Bonds shall be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein as of the date so delivered.

(l) To the knowledge of the City and based on the representations of the Underwriters, no person holding office of the City, either by election or appointment, is in any manner interested, either directly or indirectly, in any contract being entered into or the performance of any work to be carried out in connection with the issuance and sale of the Bonds and upon which said officer may be called upon to act or vote; provided, however, that nothing in this Section 6(l) shall give rise to a cause of action by the Underwriters against the City.

(m) Except as disclosed in the Official Statement, the City has not failed during the previous five years to comply in all material respects with any previous continuing disclosure undertakings that it has entered into in accordance with Rule 15c2-12.

7. Covenants of the City. The City hereby covenants that:

(a) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offering and sale under the "blue sky" or

other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate in writing; provided, however, that nothing in this Section 7(a) shall require the City to qualify as a foreign corporation in, submit to the jurisdiction of, or consent to general service of process in, any state or jurisdiction other than the State.

(b) The City will apply the proceeds of the Bonds in accordance with the Ordinances.

8. Closing. Subject to the conditions set forth in this Agreement, the closing (the “*Closing*”) of the sale of the Bonds by the City, and the purchase of the Bonds by the Underwriters, shall take place at approximately 9:00 a.m., Chicago time, on June 19, 2014 at the offices of Ice Miller LLP, 200 West Madison Street, Chicago, Illinois 60606 (or at such other time, date and place as the City and the Representative mutually agree).

(a) At the Closing, the City shall deliver or cause to be delivered to DTC, as Securities Depository, for the account of the Underwriters, (i) one fully registered certificate for each maturity of the Bonds, representing the aggregate principal amount of the Bonds, registered in the name of Cede & Co., as nominee for DTC.

(b) Upon delivery of the Bonds to the Representative at the Closing, the City will deliver to the Representative the closing documents as set forth in Section 11 hereof.

(c) The Representative will accept delivery of the Bonds and pay the purchase price therefor at the Closing by delivering federal funds checks or making federal funds wire transfers or otherwise confirming deposits of same day funds, as the City shall direct, to the City's account at a bank specified by the City, in an aggregate amount equal to the purchase price of the Bonds set forth in Section 1 hereof.

9. Reliance and Further Conditions of the Underwriters. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the City herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Agreement are and shall be subject to the following further condition that at the time of the Closing, the Ordinances, the Undertaking, the Escrow Agreement and this Agreement shall be in full force and effect and the Ordinances and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to with respect to the Official Statement pursuant to Section 5 hereof, and the City shall have duly adopted and there shall be in full force and effect such ordinances as, in the opinions of Ice Miller LLP and Quintairos, Prieto, Wood & Boyer, P.A., both of Chicago, Illinois, as co-bond counsel (herein collectively “*Co-Bond Counsel*”), shall be necessary in connection with the transactions contemplated hereby and thereby.

10. Termination of Agreement:

(a) The Underwriters shall have the right to cancel their obligations to purchase the Bonds and have the further right to terminate this Agreement, without liability therefor,

by written notice to the City from the Representative, if, between the date hereof and the Closing:

- (i) legislation shall have been enacted by the Congress of the United States or shall have been recommended to the Congress or otherwise endorsed for passage (by press release, public statement or other form of notice) by the President of the United States or a member of the President's Cabinet, or shall have been introduced and favorably reported for passage to either House by any committee of such House to which such legislation had been referred for consideration, or a decision shall have been rendered by a court of the United States or the United States Tax Court or an order, ruling, resolution, regulation or temporary regulation, release or announcement shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation upon interest received on obligations of the general character of the Bonds which, in the Representative's reasonable opinion, materially adversely affects the market price or marketability of the Bonds, or
- (ii) legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Bonds, or any similar obligations of any similar public body of the general character of the City, is in violation of, or has the effect of requiring the contemplated offering, sale and distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the enactment of the Ordinances or any ordinance of similar character is in violation of the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, sale or delivery of the Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Bonds which, in the Representative's reasonable opinion, materially adversely affects the market price or marketability of the Bonds, or
- (iii) there shall have occurred any event which in the Representative's reasonable opinion, after consultation with its legal counsel, makes the Official Statement either (A) contain an untrue statement of a material fact or (B) omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in any material respect, and the City fails to prepare or furnish or fails to cause to be prepared or furnished to the Underwriters an amendment or supplement to the Official Statement, pursuant to Section 5 hereof, which will amend or supplement the Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or

(iv) the ratings of the Bonds shall be downgraded or suspended, or placed on CreditWatch by Standard & Poor's Ratings Services, a division of McGraw Hill Financial, Inc. ("*S&P*"), or placed on Fitch Alert by Fitch Ratings Inc. ("*Fitch*") or placed on Ratings Under Review by Moody's Investor Service ("*Moody's*"), in each case with negative implications, or

(v) there shall be in force a general suspension of trading on The New York Stock Exchange, Inc., or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on The New York Stock Exchange, Inc., whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction, or

(vi) a general banking moratorium shall have been declared by either federal, State or New York authorities having jurisdiction and be in force, or

(vii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or agency in the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative, would have a material adverse effect on the market price or marketability of the Bonds, or

(viii) a war involving the United States, an outbreak or escalation of or adverse development in hostilities or other national or international calamity or crisis shall have occurred which, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds, or

(ix) there shall be any proceeding or threatened proceeding by the SEC against the City and such proceeding or threatened proceeding, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds.

(b) If the City shall be unable to satisfy the conditions contained in this Agreement or if the Underwriters' obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the City nor the Underwriters shall have any further obligations hereunder.

#### 11. Closing Conditions.

(a) The Underwriters' obligations to purchase, to accept delivery of and pay for the Bonds at the Closing shall be conditioned upon the City's performance of its obligations under Sections 8 and 9 hereof and the Underwriters' receipt of the following documents:

(i) the approving opinions, dated the date of the Closing, of Co-Bond Counsel to the City, substantially in the form attached to the Official Statement as Appendix C;



- (ii) the supplemental opinion, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as **Exhibit D**;
- (iii) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, regarding the treatment of original issue discount under present federal income tax law, in a form satisfactory to the Representative and the City and their respective counsel, if the Bonds are sold at a discount;
- (iv) an opinion, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of the Corporation Counsel of the City, substantially in the form attached hereto as **Exhibit E**;
- (v) an opinion, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Charity & Associates, P.C., counsel for the Underwriters ("*Underwriters' Counsel*"), substantially in the form attached hereto as **Exhibit F**, with a reliance letter thereon addressed to the City;
- (vi) letters, dated the date of the Closing and addressed to the City and to the Representative on behalf of the Underwriters, of Chapman and Cutler LLP, special disclosure counsel to the City with respect to the information in Appendix B to the Official Statement, substantially in the forms attached hereto as **Exhibit G**;
- (vii) an opinion, dated the date of the Closing and addressed to the City, of Burke, Warren, MacKay & Serritella, P.C. and Kutak Rock LLP, as co-disclosure counsel ("*Co-Disclosure Counsel*"), substantially in the form attached hereto as **Exhibit H**, with a reliance letter thereon addressed to the Representative on behalf of the Underwriters;
- (viii) a certificate, dated the date of the Closing, signed by the Chief Financial Officer, to the effect that the representations and warranties of the City herein are correct in all material respects as of the date of the Closing;
- (ix) a copy of an agreement between the City and DTC relating to the safekeeping and book-entry form of the Bonds;
- (x) an executed copy of the Undertaking;
- (xi) a copy, duly certified by the City Clerk of the City, of the Ordinances, as passed by the City Council;
- (xii) evidence satisfactory to the Representative that the Insured Bonds have received ratings of "A2" (stable outlook) by Moody's and "AA" (stable outlook) by S&P, and that the Bonds that are not Insured Bonds have received ratings of

“Baal” (negative outlook) by Moody’s, “AA+” (stable outlook) by S&P, and “BBB+” (negative outlook) by Fitch;

(xiii) an executed copy of the Escrow Agreement;

(xiv) a General Tax Certificate, executed by the Chief Financial Officer or other Authorized Officer of the City;

(xv) a verification report from Robert Thomas CPA, LLC, dated the date of the Closing, verifying the accuracy of certain calculations with respect to the Bonds and the sufficiency of payments to be received from Government Obligations and moneys held under the Escrow Agreement to make timely payment, when due, of the Refunded Bonds;

(xvi) a certificate of the Trustee and the Escrow Agent, dated the date of Closing, to the effect that such bank has full legal right, power and authority to act as Trustee and as Escrow Agent;

(xvii) a certificate from the Illinois Department of Transportation, dated the date of Closing, substantially in the form attached hereto as **Exhibit I**;

(xviii) three (3) copies of the Official Statement of the City, manually signed by the Mayor or the Chief Financial Officer;

(xix) an executed copy of this Agreement;

(xx) a certified copy of the Policy issued by the Bond Insurer and any other documents executed in connection therewith; an opinion of counsel to, and/or a certificate signed by an authorized officer of, the Bond Insurer, dated the date of the Closing, each in customary form, addressed to the City and the Underwriters, addressing, among other matters, the enforceability of the Policy and the accuracy of the information provided by the Bond Insurer for inclusion in the Official Statement; and

(xxi) such additional closing certificates and agreements, including an arbitrage and tax regulatory certificate relating to the Bonds, as Co-Bond Counsel shall reasonably determine to be necessary to deliver their opinions as provided hereinabove.

(b) All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment. Payment for the Bonds and acceptance of the Bonds by the Underwriters shall constitute acknowledgment by the Underwriters of the City's full performance hereunder.

12. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any and all expenses incident to the performance of the City's obligations hereunder, including but not limited to: (a) the cost of the preparation and printing or other reproduction of the Ordinances, the Preliminary Official Statement and the Official Statement, as well as the cost of shipping the Preliminary Official Statement and the Official Statement; (b) the cost of the preparation and printing of the Bonds; (c) the fees and disbursements of Co-Bond Counsel and any and all disclosure counsel to the City; (d) the fees and disbursements of any experts, consultants, financial advisors or verification agents retained by the City; (e) the fees of the Escrow Agent, DTC and the Trustee; (f) all expenses in connection with obtaining a rating or ratings on the Bonds; and (g) the fees of the Bond Insurer and the fees and expenses of counsel to the Bond Insurer. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds, including, but not limited to, CUSIP Global Services charges, the fees and expenses of Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

13. Notices. Any notice or other communication to be given to the City under this Agreement shall be given by delivering the same in writing at the address set forth above, and any such notice or other communication to be given to the Underwriters shall be given by delivering the same in writing to the Representative at the following address:

Loop Capital Markets LLC  
111 West Jackson Blvd., Suite 1901  
Chicago, Illinois 60604  
Attention: Clarence Bourne, Managing Director

14. No Third Party Beneficiaries, Survival, Etc. This Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of any Bond from the Underwriters merely because of such purchase. All of the representations and agreements by the City in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds. All of the representations, warranties and covenants of the Underwriters and the Representative to the City in this Agreement shall survive the delivery of and payment for the Bonds.

15. Governing Law. The rights and obligations of the parties to this Agreement shall be governed by, construed and enforced in accordance with the laws of the State, without giving effect to the conflict of law provisions thereof.

16. Representations, Warranties and Covenants of the Underwriters.

(a) The Representative represents and warrants to the City that the Underwriters have heretofore authorized the Representative to execute any document on behalf of, or exercise any authority of and otherwise to act for, them in all matters under or pertaining to this Agreement. Each Underwriter has warranted and confirmed to the Representative,

and the Representative warrants and confirms to the City that: (i) it is duly registered under the 1934 Act as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements; (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("*FINRA*") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities; and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers the Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale of the Bonds. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to the City; provided, however, that payment for the Bonds and acceptance of the Bonds by the Underwriters shall constitute acknowledgement by the Representative and the Underwriters of such approval and satisfaction.

(b) Each Underwriter severally represents to the City that neither the Underwriter, nor any Affiliate thereof, is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the Directorate of Defense Trade Controls of the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

For purposes of this representation, "*Affiliate*," when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert), whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.

Attached hereto as **Exhibit J**, is a form Representation Letter to be provided by each Underwriter to the City and the Representative at or before Closing.

(c) This Agreement has been duly authorized, executed and delivered by the Representative on behalf of the Underwriters and, assuming the due authorization, execution and delivery by the City, is the legal, valid and binding obligation of the Underwriters enforceable in accordance with its terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

17. Enforceability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any

jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

18. Business Relationships with City Elected Officials. Each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 and 2-156 of the Municipal Code of Chicago. Pursuant to Section 2-156-030(b) of the Municipal Code of Chicago, it is illegal for any elected official of the City, or any person acting at the direction of such official, to contact, either orally or in writing, any other City official or employee with respect to any matter involving any person with whom the elected official has a business relationship, or to participate in any discussion in any City Council committee hearing or in any City Council meeting or to vote on any matter involving the person with whom an elected official has a business relationship. Violation of Section 2-156-030(b) by any elected official with respect to this Agreement shall be grounds for termination of this Agreement. The term "*business relationship*" shall be defined as set forth in Section 2-156-080 of the Municipal Code of Chicago.

19. No Fiduciary Role by Underwriters. The City acknowledges and agrees to the following: (1) the primary role of the Representative and Underwriters is to purchase securities, for resale to investors, in an arm's length commercial transaction between the City and the Underwriters in which the Representative is acting solely as a principal and that the Representative and Underwriters have financial and other interests that differ from those of the City; (2) the Representative and Underwriters are not acting as a municipal advisor, financial advisor or fiduciary to the City and have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Representative and Underwriters have provided other services or are currently providing other services to the City on other matters); (3) the only obligations the Representative or Underwriters have to the City with respect to the transaction contemplated hereby are expressly set forth in this Agreement and (4) the City has consulted its own financial and/or municipal, legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate. The City engaged (a) Phoenix Capital Partners, LLP to perform certain professional services in the capacity as financial advisor to the City for this transaction, (b) Burke, Warren, Mackay & Serritella, P.C. and Kutak Rock LLP as Co-Disclosure Counsel to the City, and (c) Chapman and Cutler LLP as Special Disclosure Counsel to the City with respect to pension disclosure matters.

20. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

LOOP CAPITAL MARKETS LLC,  
As Representative of the Underwriters  
identified in Schedule I hereto.

By: Clarine F. Bon

Its: Managing Director

Accepted by the City:  
CITY OF CHICAGO

By: Lois A. Scott

Lois A. Scott  
Chief Financial Officer

Concurred:

By: Edward M. Burke

Edward M. Burke  
Chairman, Committee on  
Finance of the City Council

**SCHEDULE I**

**THE UNDERWRITERS**

Loop Capital Markets LLC

BMO Capital Markets GKST Inc.

Cabrera Capital Markets, LLC

Robert W. Baird & Co.

Blaylock Beal Van, LLC

BNY Mellon Capital Markets, LLC

Mischler Financial Group, Inc.

Oppenheimer & Co. Inc.

Rockfleet Financial Services, Inc.

## **EXHIBIT A**

### **MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS, AND CUSIP<sup>1</sup> NUMBERS**

**\$105,895,000**  
**City of Chicago**  
**Motor Fuel Tax Revenue Refunding Bonds**  
**Series 2013**  
**(Issue of June 2014)**

#### **Serial Bonds**

<b><u>Maturity (January 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b>	<b><u>Maturity (January 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b>
2015	\$3,115,000	2.000%	0.295%	16756KDV6	2023	\$5,135,000	5.000%	3.250%	16756KED5
2016	3,655,000	5.000%	0.630%	16756KDW4	2024	5,405,000	5.000%	3.440%	16756KEE3
2017	3,835,000	5.000%	0.990%	16756KDX2	2025	5,670,000	5.000%	3.630%	16756KEF0
2018	4,030,000	5.000%	1.520%	16756KDY0	2026	5,955,000	5.000%	3.750%	16756KEG8
2019	4,230,000	5.000%	1.880%	16756KDZ7	2027	6,250,000	5.000%	3.880%	16756KEH6
2020	4,435,000	5.000%	2.310%	16756KEA1	2028	6,560,000	5.000%	3.950%	16756KEJ2
2021	4,660,000	5.000%	2.700%	16756KEB9	2029	6,890,000	5.000%	4.040%	16756KEK9
2022	4,895,000	5.000%	3.020%	16756KEC7					

#### **Insured Serial Bonds**

<b><u>Maturity January 1</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b>
2030	\$7,230,000	5.000%	4.000%	16756KEL7
2031	7,595,000	5.000%	4.070%	16756KEM5
2032	7,975,000	5.000%	4.110%	16756KEN3
2033	8,375,000	5.000%	4.180%	16756KEP8

#### ***Optional Redemption***

The Bonds maturing on or after January 1, 2025 are subject to redemption prior to maturity at the option of the City, as a whole or in part, at any time on and after January 1, 2024, and if less than an entire maturity is to be redeemed, in integral multiples of \$5,000 selected by the Trustee by lot as it shall deem proper in its sole discretion, at the Redemption Price equal to the principal amount to be redeemed plus accrued interest to the redemption date.

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<sup>1</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright©2014 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by S&P Capital IQ, a division of McGraw Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number of a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.



**EXHIBIT B**

**PRELIMINARY OFFICIAL STATEMENT**

**NEW ISSUE — BOOK-ENTRY ONLY****RATINGS: See "RATINGS" herein**

*Subject to compliance by the City of Chicago with certain covenants, in the opinions of Co-Bond Counsel, under present law, interest on the Series 2013 Bonds is excludable from the gross income of their owners for federal income tax purposes and thus is exempt from present federal income taxes based on gross income. Interest on the Series 2013 Bonds is not an item of tax preference in computing the alternative minimum tax on individuals and corporations, but is taken into account in computing an adjustment used to determine the alternative minimum tax for certain corporations. See "TAX EXEMPTION." Interest on the Series 2013 Bonds is not exempt from present Illinois income taxes.*



**\$105,895,000**  
**CITY OF CHICAGO**  
**MOTOR FUEL TAX REVENUE REFUNDING BONDS**  
**SERIES 2013**  
**(ISSUE OF JUNE 2014)**

**Dated: Date of Issuance****Due: As shown on the inside cover**

This Official Statement contains information relating to the Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the "Series 2013 Bonds") of the City of Chicago (the "City"). The Series 2013 Bonds will be fully registered bonds and issued in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013 Bonds. Purchasers of the Series 2013 Bonds will not receive certificates representing their interests in the Series 2013 Bonds purchased. The Series 2013 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2013 Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, commencing January 1, 2015. Principal and redemption price, if any, of and interest on the Series 2013 Bonds will be paid by Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the "Trustee"), to DTC, which in turn will remit such principal, redemption price, if any, and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2013 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2013 Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See "THE SERIES 2013 BONDS—Book-Entry Only System."

The Series 2013 Bonds are subject to redemption prior to maturity, as described herein.

The Series 2013 Bonds are being issued to: (i) refund the City's Outstanding Series 2003 Bonds (as herein defined) and (ii) pay certain costs of issuing the Series 2013 Bonds. See "APPLICATION OF SERIES 2013 BOND PROCEEDS." The Series 2013 Bonds will be secured on a parity with the Series 2008 Bonds (as defined herein), the TIFIA Bond (as defined herein), and any Additional Bonds (as defined herein), by a security interest in Additional City Revenues (as defined herein), Motor Fuel Tax Revenues (as defined herein), and from certain other moneys held by the Trustee under the Ordinances (as defined herein) (collectively, the "Pledged Revenues"). See "SECURITY FOR THE SERIES 2013 BONDS."

The scheduled payment of principal of and interest on the Series 2013 Bonds maturing on January 1 of the years 2030 through 2033, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp.



**THE SERIES 2013 BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE ONLY FROM PLEDGED REVENUES (AS DEFINED HEREIN). NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION OF THE STATE OF ILLINOIS IS PLEDGED TO PAY THE PRINCIPAL OF, REDEMPTION PRICE, IF ANY, AND INTEREST ON THE SERIES 2013 BONDS. NO PROPERTY OF THE CITY (INCLUDING PROPERTY LOCATED ALONG THE RIVERWALK (AS DEFINED HEREIN)) IS PLEDGED AS SECURITY FOR THE SERIES 2013 BONDS.**

**Maturities, Amounts, Interest Rates, Prices, Yields and CUSIP Numbers are set forth  
on the inside of this cover page.**

*The Series 2013 Bonds are offered for delivery when, as and if issued and subject to the approval of Ice Miller LLP, Chicago, Illinois, and Quintairos, Prieto, Wood & Boyer, P.A., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Official Statement, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, and Kutak Rock LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Official Statement, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Charity & Associates, P.C., Chicago, Illinois, Underwriters' Counsel. It is expected that the Series 2013 Bonds will be delivered through the facilities of DTC on or about June 19, 2014.*

**LOOP CAPITAL MARKETS****BMO CAPITAL MARKETS****CABRERA CAPITAL MARKETS, LLC****BAIRD****Blaylock Beal Van, LLC****BNY Mellon Capital Markets, LLC****Mischler Financial Group****Oppenheimer & Co. Inc.****Rockfleet**

Dated: June 5, 2014

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP NUMBERS<sup>†</sup>**

**\$105,895,000**

**City of Chicago  
Motor Fuel Tax Revenue Refunding Bonds  
Series 2013  
(Issue of June 2014)**

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>
2015	\$3,115,000	2.00%	100.907	0.295%	16756KDV6
2016	3,655,000	5.00	106.657	0.630	16756KDW4
2017	3,835,000	5.00	110.007	0.990	16756KDX2
2018	4,030,000	5.00	111.926	1.520	16756KDY0
2019	4,230,000	5.00	113.496	1.880	16756KDZ7
2020	4,435,000	5.00	113.896	2.310	16756KEA1
2021	4,660,000	5.00	113.690	2.700	16756KEB9
2022	4,895,000	5.00	113.250	3.020	16756KEC7
2023	5,135,000	5.00	112.949	3.250	16756KED5
2024	5,405,000	5.00	112.586	3.440	16756KEE3
2025	5,670,000	5.00	110.956*	3.630	16756KEF0
2026	5,955,000	5.00	109.940*	3.750	16756KEG8
2027	6,250,000	5.00	108.852*	3.880	16756KEH6
2028	6,560,000	5.00	108.272*	3.950	16756KEJ2
2029	6,890,000	5.00	107.531*	4.040	16756KEK9
2030●	7,230,000	5.00	107.860*	4.000	16756KEL7
2031●	7,595,000	5.00	107.286*	4.070	16756KEM5
2032●	7,975,000	5.00	106.960*	4.110	16756KEN3
2033●	8,375,000	5.00	106.391*	4.180	16756KEP8

● Denotes maturity insured by the Policy.

\* Priced to January 1, 2024 call date.

<sup>†</sup>CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright©2014 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by S&P Capital IQ, a division of McGraw Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2013 Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number of a specific maturity is subject to change after the issuance of the Series 2013 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2013 Bonds.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement.

**THE ISSUER**..... City of Chicago.

**THE SERIES 2013 BONDS**..... \$105,895,000 City of Chicago Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014). The Series 2013 Bonds will be dated the date of their delivery and mature in the principal amounts and on the dates as set forth on the inside cover of this Official Statement. See "THE SERIES 2013 BONDS."

**PAYMENT OF INTEREST**..... The Series 2013 Bonds will bear interest from their date until paid, payable semiannually on each January 1 and July 1, commencing January 1, 2015. The Series 2013 Bonds will bear interest at the rates per year as set forth on the inside cover of this Official Statement. Interest on the Series 2013 Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. See "THE SERIES 2013 BONDS—General."

**AUTHORITY FOR ISSUANCE**..... The Series 2013 Bonds are being issued pursuant to the constitutional home rule powers of the City. The Series 2013 Bonds were authorized under a General Ordinance adopted by the City Council on November 28, 1990, as amended (the "*General Ordinance*") and by the Series 2013 Bond Ordinance adopted by the City Council on March 13, 2013 (the "*Series 2013 Bond Ordinance*," and with the General Ordinance, the "*Ordinances*"). The Series 2013 Bond Ordinance amends certain provisions of the General Ordinance, as more fully described in "SECURITY FOR THE SERIES 2013 BONDS—Summary of Amendments to General Ordinance."

**USE OF PROCEEDS**..... Proceeds from the sale of the Series 2013 Bonds will be used to (i) refund the City's Outstanding Series 2003 Bonds and (ii) pay Cost of Issuance of the Series 2013 Bonds. See "APPLICATION OF SERIES 2013 BOND PROCEEDS."

**SECURITY FOR THE BONDS**..... The Series 2013 Bonds, together with the Series 2008 Bonds, the TIFIA Bond (as defined herein), and any Additional Bonds subsequently issued by the City under the General Ordinance (collectively referred to as the "*Bonds*"), are limited obligations of the City payable solely from Additional City Revenues, from Motor Fuel Tax Revenues which may lawfully be used for the payment of Municipal Indebtedness, and from certain other moneys and securities held by the Trustee under the Series Ordinance for the Series 2008 Bonds, as well as the Series 2013 Bond Ordinance and the General Ordinance (collectively, the "*Pledged Revenues*"). As used in this Official Statement, "*Additional City Revenues*" means the amounts paid to the City, or to the Trustee on behalf of the City, pursuant to Section 2-32-1300 of the Municipal Code of the City of Chicago (the "*Municipal Code*"). The Series 2013 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness, and neither the full faith and credit nor taxing power of the City, the State of Illinois (the "*State*") or any political subdivision of the State is pledged to the payment of the Series 2013 Bonds. See "SECURITY FOR THE SERIES 2013 BONDS," "ADDITIONAL CITY REVENUES," "MOTOR FUEL TAX REVENUES," and APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS."

**BOND INSURANCE**..... The scheduled payment of principal of and interest on the Series 2013 Bonds maturing on January 1 of the years 2030 through 2033, inclusive (the "*Insured Bonds*"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP ("AGM"). See "BOND INSURANCE" and APPENDIX D—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**ADDITIONAL CITY REVENUES**..... By adopting the Series 2013 Bond Ordinance, the City has pledged all Additional City Revenues to the payment of all Outstanding Bonds, including the Series 2008 Bonds and the TIFIA Bond, as well as to the Series 2013 Bonds and any Additional Bonds hereafter issued under the General Ordinance and a Series Ordinance. Additional City Revenues consist of certain revenues which are designated in the Municipal Code. The Additional City Revenues have been pledged in connection with an expansion of a pedestrian promenade along the south bank of the Chicago River from State Street to Lake Street and

associated transportation amenities. In accordance with the General Ordinance, Additional City Revenues are directed by the City to be paid to the Trustee for deposit into the Additional City Revenue Fund created by the General Ordinance and then deposited by the Trustee, on a monthly basis, into the Debt Service Fund and Debt Service Reserve Fund in accordance with the General Ordinance, prior to the deposit of moneys from the Motor Fuel Tax Revenue Fund to the Debt Service Fund and Debt Service Reserve Fund. The pledge of Additional City Revenues will only continue until such time as (i) the TIFIA Bond is no longer Outstanding and (ii) the City has paid all amounts due under the TIFIA Loan Agreement (as herein defined). See "SECURITY FOR THE SERIES 2013 BONDS—General Description of Additional City Revenues" and "ADDITIONAL CITY REVENUES," and "CERTAIN INVESTMENT RISK FACTORS—Limited Duration of Additional City Revenues Pledge."

**MOTOR FUEL TAX REVENUES.....** The Motor Fuel Tax Law enacted in 1929, and subsequently amended, imposes a tax upon the privilege of operating motor vehicles upon public highways and of operating recreational type watercraft upon the waters in the State. The State currently collects taxes at the rate of 19 cents per gallon and an additional tax of 2.5 cents per gallon for diesel fuel. Motor Fuel Tax Revenues, once they are appropriated by the State on an annual basis, are then distributed to the State, municipalities, counties and road districts and townships within the State in accordance with the Motor Fuel Tax Law. See "MOTOR FUEL TAX REVENUES." Under current law, 25 percent of the Motor Fuel Tax Revenues received by the City must be expended solely for reconstruction, maintenance, repair or improvement of the City's non-arterial residential streets and is not available to pay Municipal Indebtedness, including the Series 2013 Bonds. See "SECURITY FOR THE SERIES 2013 BONDS."

**REDEMPTION .....** The Series 2013 Bonds maturing on and after January 1, 2025 are subject to redemption prior to maturity at the option of the City, at any time on or after January 1, 2024, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in denominations of \$5,000 or integral multiples thereof, at a price of par plus accrued interest to the redemption date. See "THE SERIES 2013 BONDS—Optional Redemption Provisions."

**TRUSTEE.....** Amalgamated Bank of Chicago, Chicago, Illinois, as trustee.

**TAX EXEMPTION.....** Subject to compliance by the City with certain representations and covenants, in the opinions of Co-Bond Counsel, under existing law, interest on the Series 2013 Bonds is not included in gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the alternative minimum tax imposed on corporations. Interest on the Series 2013 Bonds is not exempt from present Illinois income taxes. See "TAX EXEMPTION."

**CO-BOND COUNSEL.....** Ice Miller LLP, Chicago, Illinois and Quintairos, Prieto, Wood & Boyer, P.A. Chicago, Illinois.

**THE RETIREMENT FUNDS.....** The City contributes to four Retirement Funds (as defined in APPENDIX B—"RETIREMENT FUNDS") that serve City employees, and which are each separate bodies politic and corporate from the City. The City contributes to the Retirement Funds pursuant to the requirements of the Illinois Pension Code. The Retirement Funds are all significantly underfunded. The City believes that modifications to certain aspects of the pensions provided by the Retirement Funds are necessary, as well as increases to City and/or employee contributions, to adequately address the significant and growing unfunded liabilities of the Retirement Funds. Any such change would require the State to enact legislation amending the Illinois Pension Code. For the two Retirement Funds serving municipal employees and laborers, certain pension reform legislation, known as SB 1922, recently passed the General Assembly but is awaiting the Governor's action. If enacted into law, SB 1922 would, among other things, significantly increase the City's contributions to those two Retirement Funds. See APPENDIX B—"RETIREMENT FUNDS" for additional information regarding all four Retirement Funds including, but not limited to, information on: (i) the funded status of the Retirement Funds, (ii) sources of funding for the Retirement Funds, including the City's contributions, (iii) the actuarial assumptions and actuarial methods used by the Retirement Funds, (iv) pension reform with respect to the Retirement Funds, including SB 1922, and (v) the significant increase expected in the City's contributions beginning in 2016, regardless of whether SB 1922 is

enacted into law. The City has no current expectation to use Pledged Revenues to contribute to the Retirement Funds; however, pension costs related to Motor Fuel Tax eligible projects are an allowable expense under the Use of Motor Fuel Tax Funds Act. See "CERTAIN INVESTMENT RISK FACTORS—Pension Obligations."

#### **OTHER POST-EMPLOYMENT**

**BENEFITS** ..... The City and the Retirement Funds share the cost of post-employment healthcare benefits available for certain retired City employees. The City contributes to the Health Plan pursuant to a settlement agreement between the City and the Retirement Funds. The settlement agreement expired on June 30, 2013, and the City intends to phase-out health benefits for most participants by 2017. For further information on the status of the Health Plan after June 30, 2013, including certain litigation relating to the Health Plan and the settlement agreement, see APPENDIX B—"RETIREMENT FUNDS—Other Post-Employment Benefits."

**RISK FACTORS** ..... The purchase of Series 2013 Bonds involves certain investment risks and considerations, including, but not limited to, the decline in the amount of Motor Fuel Tax Revenues remitted to the City annually since 2005, the increasing use of more fuel efficient vehicles resulting in lower fuel consumption, the declining population of the City which impacts the amount of Motor Fuel Tax Revenues allocated to the City, possible delays in the receipt of Motor Fuel Tax Revenues from the State, the ability of the State legislature to alter the manner in which Motor Fuel Tax Revenues are allocated, the issuance by the City of Additional Bonds secured by Pledged Revenues on a parity basis with the Bonds, and the fact that the Series 2013 Bonds are limited obligations of the City. See "CERTAIN INVESTMENT RISK FACTORS."

**RATINGS** ..... The Insured Bonds are expected to be rated "A2" by Moody's and "AA+" (stable outlook) by S&P, and the Series 2013 Bonds that are not Insured Bonds are rated "Baa1" (negative outlook) by Moody's, "AA+" (stable outlook) by S&P, and "BBB+" (negative outlook) by Fitch. See "RATINGS."

**CITY OF CHICAGO**

**MAYOR**

Rahm Emanuel

**CITY CLERK**

Susana A. Mendoza

**CITY TREASURER**

Stephanie D. Neely

**CITY COUNCIL  
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**FINANCIAL ADVISOR**

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Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the City of Chicago (the “City”) from the Illinois Department of Transportation, AGM, and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Series 2013 Bonds or the advisability of investing in the Series 2013 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and APPENDIX D–“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

No dealer, broker, salesperson or any other person has been authorized by the City, the Illinois Department of Transportation, or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2013 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City’s beliefs as well as assumptions made by and information currently available to the City. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2013 BONDS THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2013 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2013 BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE SERIES 2013 BONDS ARE RELEASED FOR SALE, AND THE SERIES 2013 BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE SERIES 2013 BONDS INTO INVESTMENT ACCOUNTS.**



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**OFFICIAL STATEMENT**  
**\$105,895,000**  
**CITY OF CHICAGO**  
**MOTOR FUEL TAX REVENUE REFUNDING BONDS**  
**SERIES 2013**  
**(ISSUE OF JUNE 2014)**

**INTRODUCTION**

This Official Statement, including its Appendices, sets forth certain information concerning the issuance and sale by the City of Chicago (the “City”) of its Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the “*Series 2013 Bonds*”). The Series 2013 Bonds are being issued pursuant to the home rule powers of the City under Article VII, Section 6(a) of the Illinois Constitution of 1970, and under and pursuant to the City of Chicago 2013 Series and Supplemental Ordinance Authorizing the Issuance of City of Chicago Motor Fuel Tax Revenue Bonds, Series 2013 and Motor Fuel Tax Revenue TIFIA Bond(s) and Certain Amendments to the General Ordinance, duly adopted by the City Council of the City (the “*City Council*”) on March 13, 2013 (the “*Series 2013 Bond Ordinance*”) and the Motor Fuel Tax Revenue Bonds General Ordinance of the City duly adopted by the City Council on November 28, 1990, as amended (the “*General Ordinance*”). The Series 2013 Bond Ordinance and the General Ordinance are collectively referred to as the “*Ordinances*.” Amalgamated Bank of Chicago, Chicago, Illinois, is the trustee (the “*Trustee*”), paying agent and bond registrar under the General Ordinance.

This Official Statement contains summaries of the terms of and security for the Series 2013 Bonds, together with a description of the Ordinances. Capitalized terms used and not otherwise defined in this Official Statement have the meanings set forth in APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS — General Definitions.” All references herein to agreements and documents are qualified in their entirety by references to the definitive forms of such agreement or document. All references to the Series 2013 Bonds are further qualified by reference to the information with respect to them contained in the Ordinances.

The proceeds received from the sale of the Series 2013 Bonds will be used to (i) provide funds to refund the City’s Outstanding Series 2003 Bonds and (ii) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds. See “APPLICATION OF SERIES 2013 BOND PROCEEDS.”

The City has made certain material changes to the General Ordinance (the “*Amendments*”) in accordance with the provisions of the General Ordinance summarized in APPENDIX A under the sub-heading “Modification of the General Ordinance.” The General Ordinance permits the City, by Supplemental Ordinance, to modify or amend the General Ordinance without the consent of the Holders of Bonds in order to further secure or provide for payment of Bonds. The General Ordinance also permits the City, by Supplemental Ordinance, to modify or amend the General Ordinance without the consent of Holders of the Bonds, but with the consent of the Trustee (which consent has been given for the Amendments), to correct ambiguities, defects or inconsistent provisions in the General Ordinance. See “SECURITY FOR THE SERIES 2013 BONDS—Summary of Amendments to General Ordinance.”

As provided in the General Ordinance, the City may issue, from time to time pursuant to Series Ordinances, additional bonds on a parity with the Series 2013 Bonds, the TIFIA Bond, and the Series 2008 Bonds in various principal amounts, which may mature at different times and bear interest at different rates (such bonds being referred to herein as the “*Additional Bonds*”). As used in this Official Statement, the term “*Bonds*” refers to the Series 2013 Bonds, the TIFIA Bond, the Outstanding Series 2008 Bonds, and any Additional Bonds. See “ADDITIONAL BONDS.” The City may also issue debt payable from Additional City Revenues and Motor Fuel Tax Revenues which is subordinate to the Bonds.

The City has obtained a loan from the United States Department of Transportation (the “*USDOT*”) in a maximum principal amount not to exceed \$98,660,000 (exclusive of capitalized interest) (the “*TIFIA Loan*”) to finance the construction of a portion of the City’s planned expansion of a pedestrian promenade along the south bank of the Chicago River from State Street to Lake Street along lower Wacker Drive, and associated transportation amenities (the “*Riverwalk Expansion Project*”). In connection with the closing of the TIFIA Loan on June 12, 2013, the City issued its Motor Fuel Tax Revenue TIFIA Bond Wacker Drive Reconstruction Project (including the Chicago Riverwalk Expansion) (TIFIA-2013-1004A) in a maximum principal amount not to exceed \$98,660,000 (the “*TIFIA Bond*”) to the USDOT as security for the TIFIA Loan, pursuant to a loan agreement (the “*TIFIA Loan Agreement*”) entered into between the City and the USDOT. See “TIFIA BOND.”

Additional City Revenues which are currently being received, as well as Additional City Revenues which may be generated as a result of the completion of the Riverwalk Expansion Project have been pledged, on a parity basis, to the payment of the Bonds, including the Series 2013 Bonds. As used in this Official Statement, “*Additional City Revenues*” means the amounts paid to the City, or to the Trustee on behalf of the City pursuant to Section 2-32-1300 of the Municipal Code of Chicago (the “*Municipal Code*”) in connection with the operation and maintenance of the area immediately adjacent and parallel to the south bank of the Chicago River along Wacker Drive from Lake Street to Lake Shore Drive (the “*Riverwalk*”). See “ADDITIONAL CITY REVENUES.” While the pledge of Motor Fuel Tax Revenues will remain while any Bonds, including the Series 2013 Bonds, remain Outstanding, the pledge of Additional City Revenues to the payment of the Outstanding Bonds, including the Series 2013 Bonds, will end at such time as (i) the TIFIA Bond is no longer Outstanding and (ii) the City has paid all other amounts due under the TIFIA Loan Agreement. See “SECURITY FOR THE SERIES 2013 BONDS—Pledge Effected Under the Series 2013 Bond Ordinance,” and “CERTAIN INVESTMENT RISK FACTORS—Limited Duration of Additional City Revenues Pledge.”

The Illinois Use of Motor Fuel Tax Funds Act requires that 25 percent of Motor Fuel Tax Revenues must be used for the reconstruction, maintenance, repair or improvement of the City’s non-arterial residential streets and therefore may not be used for the payment of Municipal Indebtedness (as hereinafter defined), including the Series 2013 Bonds. See “SECURITY FOR THE SERIES 2013 BONDS—General Description and Limitations of Use of Motor Fuel Tax Revenues.” As used in this Official Statement, “*Motor Fuel Tax Revenues*” means the amounts paid to the City or to the Trustee on behalf of the City from the Motor Fuel Tax Fund in the Treasury of the State of Illinois (the “*State*”) pursuant to Section 8 of the Motor Fuel Tax Law, 35 ILCS 505/1 *et seq.*, as amended (the “*Motor Fuel Tax Law*”). See “MOTOR FUEL TAX REVENUES.” “*Municipal Indebtedness*” means municipal indebtedness incurred in connection with the completion of any improvements as authorized under the Illinois Use of Motor Fuel Tax Funds Act, 605 ILCS 5/7-202 *et seq.*

The registered owners of the Series 2013 Bonds have a claim for payment solely from the Additional City Revenues, from Motor Fuel Tax Revenues which lawfully may be used for the purpose of payment of Municipal Indebtedness, and from certain other moneys and securities held by the Trustee under the Ordinances (collectively the “*Pledged Revenues*”). The payment claim of the registered owners

of the Series 2013 Bonds will be on a parity with the claim for payment of (i) the Series 2008 Bonds, (ii) the TIFIA Bond, and (iii) any Additional Bonds that may be issued.

Under the Series 2013 Bond Ordinance, the City established the Series 2013 Bonds Account (the “*Series 2013 Bonds Account*”) as a separate account within the Debt Service Fund created under the General Ordinance, which is to be used to pay principal and Redemption Price, if any, of and interest on the Series 2013 Bonds. See “SECURITY FOR THE SERIES 2013 BONDS—Description of Funds and Accounts.” The Series 2013 Bond Ordinance also established a Series 2013 Debt Service Reserve Account and a TIFIA Debt Service Reserve Account as separate accounts in the Debt Service Reserve Fund, and provided that the amount of the Reserve Requirement for the Series 2013 Bonds and the TIFIA Bond would be established in the Series 2013 Determination Certificate and the TIFIA Determination Certificate, respectively. The TIFIA Determination Certificate established a Reserve Requirement in the amount of \$6,572,682 for the TIFIA Bond which is to be funded by the City no later than December 31, 2019 through monthly deposits of Pledged Revenues to the TIFIA Debt Service Reserve Account. The Series 2013 Determination Certificate will establish a 2013 Reserve Requirement for the Series 2013 Bonds equal to \$0. While a Reserve Requirement for the TIFIA Bond has been established, the Debt Service Reserve Account established for the TIFIA Bond (and the moneys to be deposited therein) does not secure, and is not available to pay principal of, or interest on, the Series 2013 Bonds. See “SECURITY FOR THE SERIES 2013 BONDS—Description of Funds and Accounts—*Debt Service Reserve Fund*.”

The City also established in the Debt Service Fund a Series 2013 Rebate Account (the “*2013 Rebate Account*”), which account does not secure the Series 2013 Bonds. Deposits to, investments of and disbursements from the 2013 Rebate Account are to be made in accordance with the General Ordinance and a general tax certificate of the City with respect to the Series 2013 Bonds.

The Series 2013 Bonds are legal, valid and binding limited obligations of the City with a claim for payment solely from Pledged Revenues. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2013 BONDS.

## **THE SERIES 2013 BONDS**

### **General**

The Series 2013 Bonds will be dated the Date of Issuance, will be issued in fully registered form in the book-entry only system described below under the heading “— Book-Entry Only System” and will be in denominations of \$5,000 and any integral multiple thereof. Series 2013 Bonds will bear interest payable on January 1 and July 1 of each year, commencing January 1, 2015, at the rates *per annum* shown on the inside front cover hereof until the principal amount of such Bond is paid. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. During any period in which the Series 2013 Bonds are not held in book-entry only form, principal and Redemption Price, if any, of and interest on the Series 2013 Bonds will be paid as described under “General Provisions of Series 2013 Bonds When Not in Book-Entry,” below.

### **Optional Redemption Provisions**

The Series 2013 Bonds maturing on or after January 1, 2025 are subject to redemption prior to maturity at the option of the City, as a whole or in part, at any time on and after January 1, 2024, and if less than an entire maturity is to be redeemed, in integral multiples of \$5,000 selected by the Trustee by

lot as it shall deem proper in its sole discretion, at the Redemption Price equal to the principal amount to be redeemed plus accrued interest to the redemption date.

### **Notice of Redemption and Manner of Selection**

Notice of redemption of any Series 2013 Bonds shall be given by the Trustee, on behalf of the City, by first class mail, postage prepaid, to the registered owners of any of the Series 2013 Bonds or portions thereof which are to be redeemed at their last addresses appearing on the registration books of the Bond Registrar. The notice shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption. In addition to the preceding notice requirements, notice of any redemption shall be given by the Trustee, on behalf of the City, by first class mail, telecopier or electronic mail to any securities depositories that are registered owners of the Series 2013 Bonds. If the Series 2013 Bonds are not then held in a book-entry system, the Trustee shall also provide notice of redemption in accordance with the Series 2013 Bond Ordinance. The failure of any registered owner to receive any such notice shall not affect the validity of proceedings for the redemption of the Series 2013 Bonds. When any Series 2013 Bond shall have been called for redemption, and payment made or provided for, interest thereon shall cease to accrue from and after the redemption date so specified.

For additional information on notice of redemption and manner of selection for redemption when the Series 2013 Bonds are held in book-entry only form, see “—Book-Entry Only System” below.

### **Book-Entry Only System**

*The following information has been furnished by The Depository Trust Company for use in this Official Statement, and neither the City nor any of the Underwriters takes any responsibility for its accuracy or completeness.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2013 Bond certificate will be issued for each maturity of the Series 2013 Bonds in the aggregate principal amount thereof set forth herein, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard &

Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bond on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to Ordinances. For example, Beneficial Owners of the Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Series 2013 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2013 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of

customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2013 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2013 Bonds will be printed and delivered to DTC.

For every transfer and exchange of the Series 2013 Bonds, the Trustee or the City may charge the Beneficial Owner a sum sufficient to cover any tax, fee or other governmental charge (other than one imposed by the City) that may be imposed in relation thereto.

THE CITY AND THE TRUSTEE SHALL HAVE NO RESPONSIBILITY OR OBLIGATION WITH RESPECT TO (I) THE ACCURACY OF THE RECORDS OF DTC, CEDE & CO. OR ANY PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE SERIES 2013 BONDS, (II) THE DELIVERY TO ANY PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, OF ANY NOTICE WITH RESPECT TO THE SERIES 2013 BONDS, INCLUDING ANY NOTICE OF REDEMPTION, OR (III) THE PAYMENT TO ANY PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS.

*Effect on Series 2013 Bonds of Discontinuance of Book-Entry System.* The following two paragraphs apply to the Series 2013 Bonds only when they are not in the book-entry system:

The Series 2013 Bonds will be issuable as fully registered bonds in denominations that are integral multiples of \$5,000. Exchanges and transfers will be made without charge to the Registered Owners, except that in each case the City or the Trustee may require the payment by the Registered Owner requesting exchange or transfer of any tax, fee or other governmental charge (other than one imposed by the City) required to be paid with respect thereto.

Principal of the Series 2013 Bonds will be payable upon presentation and surrender when due at the designated corporate trust office of the Trustee. Interest on the Series 2013 Bonds will be payable by check mailed to the persons in whose names they are registered at the close of business on the Record Date next preceding each Interest Payment Date. The Record Date for the Series 2013 Bonds will be the June 15 and December 15 prior to each July 1 and January 1, respectively. At the request of any Registered Owner of not less than \$1,000,000 principal amount of the Series 2013 Bonds, all payments to such Registered Owner with respect to such Series 2013 Bonds shall be made by wire transfer to an account designated by such Owner on the applicable payment date, if such Registered Owner provides the Trustee with written notice of such wire transfer address prior to the applicable Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice).

### **General Provisions of Series 2013 Bonds When Not in Book-Entry**

If (i) the City determines, or (ii) the City receives notice that DTC or any other entity then acting as securities depository for the Series 2013 Bonds (the “*Securities Depository*”) has received notice from its Participants having interests in at least 50 percent in principal amount of the Series 2013 Bonds, that the Securities Depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the beneficial owners that they obtain certificated Series 2013 Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Series 2013 Bond certificates. The City shall have no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in this paragraph.

During any period in which the Series 2013 Bonds are not registered in the name of the DTC or its nominee, or are not maintained in Book Entry Form with any other Securities Depository, the principal of all Series 2013 Bonds and the Redemption Price, if any, of all Series 2013 Bonds (and the interest payable on any date of redemption other than on an interest payment date) shall be payable at the principal corporate trust office of the Trustee, which is the Paying Agent for the Series 2013 Bonds. Interest on the Series 2013 Bonds payable on any interest payment date shall be payable by check mailed by the Trustee to the registered owners of the Series 2013 Bonds at their addresses as shown on the registration books of the City maintained by the Trustee. The interest payable on the Series 2013 Bonds on each interest payment date will be paid to the persons in whose names the Series 2013 Bonds are registered at the close of business on the fifteenth day of the month next preceding that interest payment date. Upon request of a registered owner of at least \$1,000,000 outstanding principal amount of the Series 2013 Bonds, all payments of principal and interest on all Series 2013 Bonds, and the Redemption Price, if any, of all Series 2013 Bonds, shall be paid by wire transfer in immediately available funds to an account designated by such registered owner. The Series 2013 Bonds may be transferred or exchanged for the same total principal amount of Series 2013 Bonds of other authorized denominations upon surrender at the principal corporate trust office of the Trustee, together with an assignment executed by the registered owner or by the registered owner’s duly authorized agent. Payment of any tax, fee or other governmental charge, other than one imposed by the City, arising from any transfer or exchange of Series 2013 Bonds may be required to be paid by the registered owner as a condition for exercising that privilege. Neither the City nor the Trustee will be required to transfer any Series 2013 Bond during the 15 days next preceding an interest payment date or, in the case of a proposed redemption of the Series 2013 Bonds, after the selection by the Trustee of such Series 2013 Bonds for redemption. In the event any Series 2013 Bond is mutilated, lost, stolen or destroyed, the City shall execute and the Trustee shall authenticate a new Series 2013 Bond upon satisfaction of the provisions of the General Ordinance.

### **APPLICATION OF SERIES 2013 BOND PROCEEDS**

The proceeds of the Series 2013 Bonds will be used to refund the City’s Outstanding Series 2003 Bonds, and pay the costs of issuing the Series 2013 Bonds. See “—Refunding of Prior Bonds” below.

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The following table sets forth the estimated sources and uses of funds relating to the Series 2013 Bonds:

<u>Sources</u>	<u>Amount</u>
Par Amount of Series 2013 Bonds	\$105,895,000.00
Net Original Issue Premium	9,994,734.25
Debt Service Fund	<u>2,908,593.75</u>
<b>Total</b>	<b><u>\$118,798,328.00</u></b>

<u>Uses</u>	<u>Amount</u>
Refunding of Refunded Bonds	\$117,635,855.17
Cost of Issuance*	<u>1,162,472.83</u>
<b>Total</b>	<b><u>\$118,798,328.00</u></b>

\* Includes Underwriters' discount and bond insurance premium

### Refunding of Prior Bonds

The City expects to apply \$117,635,855.17 of the net proceeds of the Series 2013 Bonds and other available funds to refund all of the City's Outstanding Series 2003 Bonds (the "*Refunded Bonds*"). The following table sets forth the maturity, interest rate, principal amount and redemption date and price and CUSIP for each maturity of the Refunded Bonds to be refunded with the proceeds of the Series 2013 Bonds.

The City has not issued any notices of redemption for the Refunded Bonds. As a result, neither the City nor the Underwriters can make any assurance that the Series 2013 Bonds will be issued and delivered or that the Refunded Bonds will be redeemed as expected. Additionally, no assurance can be made that the list of Refunded Bonds to be refunded with the proceeds of the Series 2013 Bonds will not change from those described in the following table.

### CITY OF CHICAGO MOTOR FUEL TAX REVENUE BONDS TO BE REFUNDED

<u>BONDS</u>	<u>MATURITIES (JANUARY 1)</u>	<u>PRINCIPAL AMOUNT OF BONDS TO BE REDEEMED OR DEFEASED</u>	<u>COUPON</u>	<u>REDEMPTION DATE</u>	<u>REDEMPTION PRICE</u>	<u>CUSIP</u>
Series 2003	2015	\$ 3,695,000	5.25%	July 22, 2014	100.00%	16756KBQ9
Series 2003	2016	3,885,000	5.25	July 22, 2014	100.00	16756KBR7
Series 2003	2017	4,090,000	5.25	July 22, 2014	100.00	16756KBS5
Series 2003	2018	4,305,000	5.25	July 22, 2014	100.00	16756KBT3
Series 2003	2019	4,530,000	5.25	July 22, 2014	100.00	16756KBU0
Series 2003	2020	4,765,000	5.25	July 22, 2014	100.00	16756KBV8
Series 2003	2021	5,015,000	5.00	July 22, 2014	100.00	16756KBW6
Series 2003	2022	5,270,000	5.00	July 22, 2014	100.00	16756KBX4
Series 2003	2023	5,530,000	5.00	July 22, 2014	100.00	16756KBY2
Series 2003	2024	5,815,000	5.00	July 22, 2014	100.00	16756KBZ9
Series 2003	2025	6,105,000	5.00	July 22, 2014	100.00	16756KCA3
Series 2003	2026	6,410,000	5.00	July 22, 2014	100.00	16756KCB1
Series 2003	2028	13,805,000	5.25	July 22, 2014	100.00	16756KCC9
Series 2003	2033	<u>41,170,000</u>	5.00	July 22, 2014	100.00	16756KCD7
<b>Total</b>		<b><u>\$114,390,000</u></b>				

To provide for the refunding of the Refunded Bonds, a portion of the proceeds of the Series 2013 Bonds, as described above, will be used to purchase certain Government Obligations to be held in escrow, the principal of which, together with interest to be earned thereupon and certain other available funds currently in the Debt Service Fund, will be sufficient to pay (i) the interest on the Refunded Bonds when due and (ii) the principal or redemption price of the Refunded Bonds on the applicable maturity or redemption date for each maturity of the Refunded Bonds. The principal of and interest on the Refunded Bonds shall be payable from the escrow account administered for the benefit of the City and the holders of the outstanding Refunded Bonds.

Neither the maturing principal of the Government Obligations purchased to refund the Refunded Bonds nor the interest earned thereon will serve as security for or be available for the payment of the principal of or interest on the Series 2013 Bonds.

The accuracy and adequacy of the arithmetical computations of the maturing principal of and interest on the Government Obligations to pay, when due, the principal or redemption price of and interest on the Refunded Bonds as described above will be verified by Robert Thomas, CPA, LLC, independent certified public accountants, based upon information supplied by the City in connection with such matters. See "CERTAIN VERIFICATIONS."

### **SECURITY FOR THE SERIES 2013 BONDS**

Registered owners of Bonds, including the Series 2013 Bonds, have a claim for payment of principal and Redemption Price, if any, of and interest on such Bonds solely from Pledged Revenues. As previously set forth, the Pledged Revenues consist of Additional City Revenues described below under "—General Description of Additional City Revenues," Motor Fuel Tax Revenues that may be used for the payment of Municipal Indebtedness as described below under "—General Description and Limitation of Use of Motor Fuel Tax Revenues," and certain other moneys and securities held by the Trustee under the Ordinances (and any other Series Ordinances) as described below under "—Description of Funds and Accounts."

#### **Summary of Amendments to General Ordinance**

The City has made certain Amendments to the General Ordinance in accordance with the provisions of the General Ordinance. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS—Modification of the General Ordinance." The General Ordinance permits the City, by Supplemental Ordinance, to modify or amend the General Ordinance without the consent of the Holders of Bonds in order to further secure or provide for payment of Bonds. The General Ordinance also permits the City, by Supplemental Ordinance to modify or amend the General Ordinance without the consent of Holders of the Bonds, but with the consent of the Trustee, to correct ambiguities, defects or inconsistent provisions in the General Ordinance.

Among other things, the Amendments (i) provide that the City may pledge, pursuant to a Series Ordinance, certain revenues of the City described as "Additional City Revenues" and defined in the applicable Series Ordinance, in order to further secure or provide for payment of Bonds, (ii) provide that once any such Additional City Revenues are pledged pursuant to a Series Ordinance, the Bonds shall be paid first from such Additional City Revenues and then from Motor Fuel Tax Revenues which may lawfully be used for the purpose of payment of Municipal Indebtedness, (iii) establish the Additional City Revenue Fund to hold monthly deposits of the Additional City Revenues, (iv) amend the provisions of the General Ordinance to correct ambiguities, defects or inconsistent provisions in the General Ordinance by clarifying that amounts held in the Debt Service Fund can be used in connection with a redemption of

Bonds, and (v) amend the provisions of the General Ordinance to correct ambiguities, defects or inconsistent provisions in the General Ordinance by clarifying that the Additional City Revenues are to be included in the “revenues test” with respect to the issuance of Additional Bonds. See APPENDIX A—“SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS.”

The Amendments, as summarized above, either further secure or provide for payment of Bonds or correct ambiguities, defects or inconsistent provisions in the General Ordinance. As such, the Amendments did not require the consent of the Holders of Bonds. The Trustee has consented to the Amendments that correct ambiguities, defects or inconsistent provisions in the General Ordinance. The Amendments affect all of the Bonds, including Outstanding Bonds and the Series 2013 Bonds. The Amendments were approved in connection with the approval of the Series 2013 Bond Ordinance and became effective upon the publication of the Series 2013 Bond Ordinance.

### **General Description of Additional City Revenues**

The City, through the Series 2013 Bond Ordinance, has pledged the Additional City Revenues to the payment, on a parity basis, of the Bonds, including the Series 2013 Bonds. In accordance with the General Ordinance, Additional City Revenues are directed by the City to be paid to the Trustee for deposit into the Additional City Revenue Fund and then deposited by the Trustee, prior to the application of any Motor Fuel Tax Revenues, to the required monthly deposits to the Debt Service Fund and the Debt Service Reserve Fund as described below under “—Description of Funds and Accounts.” Currently, the Additional City Revenues consist exclusively of revenues received by the City from the licensing of docks for tour boat operations at designated locations along the Chicago River. The City has directed that the revenues generated from such dock licensing be remitted by the tour boat operators directly to the Trustee. Beginning in 2015, the revenues received from retail operations already operating along the south bank of the Chicago River from State Street to Lake Shore Drive are expected to be received by the City and will thereafter be included in the Additional City Revenues. See “ADDITIONAL CITY REVENUES.” The pledge of Additional City Revenues to the payment of Bonds, including, but not limited to, the Series 2013 Bonds, will terminate at such time as (i) the TIFIA Bond is no longer Outstanding, and (ii) the City has paid all other amounts due under the TIFIA Loan Agreement. See “CERTAIN INVESTMENT RISK FACTORS—Limited Duration of Additional City Revenues Pledge.”

### **General Description and Limitations of Use of Motor Fuel Tax Revenues**

Under current law, the Use of Motor Fuel Tax Funds Act imposes one of two alternative restrictions on the amount of Motor Fuel Tax Revenues which may be used for the purpose of payment of Municipal Indebtedness. The greater of the two restrictions determines the amount of Motor Fuel Tax Revenues which may not lawfully be used to pay Municipal Indebtedness, including the Series 2013 Bonds.

The first of the two restrictions requires that 25 percent of the Motor Fuel Tax Revenues received by the City in each year be expended solely for reconstruction, maintenance, repair or improvement of the City’s non-arterial residential streets.

The second restriction requires that, in the event the formula under the Motor Fuel Tax Law concerning the distribution of Motor Fuel Tax Revenues is changed to increase the percentage of State MFT Funds, as defined hereafter under the heading “MOTOR FUEL TAX REVENUES—General,” allocated to municipalities as a class over the percentage which became effective in 1974, the City shall expend the increased amount of Motor Fuel Tax Revenues attributable to that percentage increase solely on the construction, reconstruction or improvement of its unimproved or partially improved non-arterial residential streets.

Since its institution in 1984, the first alternative described above has been and currently is the operative restriction. Consequently, under current law, 25 percent of Motor Fuel Tax Revenues received by the City in any year will be unavailable to pay Municipal Indebtedness, including the Series 2013 Bonds. The amount of Motor Fuel Tax Revenues available from year to year is subject to a variety of factors including fuel consumption (and thus the amount of Motor Fuel Tax Revenue which is generated) and is also subject to annual appropriation by the Illinois General Assembly. See "CERTAIN INVESTMENT RISK FACTORS."

#### **Pledge Effected Under the Series 2013 Bond Ordinance**

The Series 2013 Bond Ordinance amended the General Ordinance to allow for the pledge of Additional City Revenues pursuant to a Series Ordinance. Under the terms of the Series 2013 Bond Ordinance, the City has pledged, assigned and granted to the Trustee a first lien on and first security interest in all Additional City Revenues held by the Trustee for the payment in full of the principal, Redemption and Purchase Prices of, and interest on the Bonds, as such amounts become due and payable. The pledge of Additional City Revenues for the benefit of the Holders of Bonds, including, but not limited to the Holders of the Series 2013 Bonds, will only be in effect until such time as (i) the TIFIA Bond is no longer Outstanding, and (ii) the City has paid all other amounts due under the TIFIA Loan Agreement.

The General Ordinance provides that, for the benefit of the Holders from time to time of the Bonds, the City pledges, assigns and grants to the Trustee a first lien on and first security interest in all Pledged Revenues, subject to the provisions of the General Ordinance. The pledge, assignment, lien and security interest with respect to any Bond shall be valid and binding from the time that such Bond is issued. Pledged Revenues received by the City and so pledged, assigned and for which a grant of lien and security interest is made then or thereafter are subject to the lien of such pledge, assignment and grant of such lien and security interest without any physical delivery or further act. Such lien shall be valid and binding as against and prior to the claims of all other parties having claims of any kind against the City, irrespective of whether such other parties have notice of the lien.

**PAYMENT OF THE MOTOR FUEL TAX REVENUES TO THE CITY IS SUBJECT TO ANNUAL APPROPRIATION BY THE ILLINOIS GENERAL ASSEMBLY. THE STATE IS NOT LIABLE FOR AND HAS NOT GUARANTEED THE PAYMENT OF THE SERIES 2013 BONDS. THE SERIES 2013 BONDS DO NOT CONSTITUTE STATE DEBT.**

The pledge and grant of a lien on and security interest in Pledged Revenues is subject to the right of the City to apply any amounts not required to be deposited in the Debt Service Fund or the Debt Service Reserve Fund, or which are paid to the City or at the City's direction pursuant to the Ordinances, for any other lawful purposes.

#### **Description of Funds and Accounts**

##### ***Additional City Revenue Fund***

The Series 2013 Bond Ordinance amended the General Ordinance to establish an Additional City Revenue Fund to be maintained by the Trustee for the deposit of Additional City Revenues. Upon receipt of Additional City Revenues, the Trustee is required to deposit into the Debt Service Fund such amounts from the Additional City Revenue Fund as provided for in the General Ordinance. See "*Debt Service Fund*," below. If, after the Trustee makes all of the required deposits, there remain excess Additional City Revenues in the Additional City Revenue Fund, the Trustee is required to release such excess Additional City Revenues to the City or pursuant to the City's direction; provided, however, the City is obligated by the terms of the TIFIA Loan Agreement to apply a portion of such Excess Revenues to the

redemption of the TIFIA Bond after the TIFIA Reserve Requirement has been met, as described below under “—*Excess Revenues and Repayment of TIFIA Bond.*”

#### ***Motor Fuel Tax Revenue Fund***

The General Ordinance established a Motor Fuel Tax Revenue Fund to be maintained by the Trustee and, while any Bonds are Outstanding, requires the City to pay to the Trustee for deposit therein all Motor Fuel Tax Revenues received by the City. The City has directed the State to pay the Trustee these Motor Fuel Tax Revenues on its behalf.

From all amounts deposited in the Motor Fuel Tax Revenue Fund, the Trustee shall determine the percentage of such amounts which may not lawfully be used to pay debt service on Municipal Indebtedness. The Trustee is required to make that determination solely on the basis of the most recent City certificate identifying the percentage of Motor Fuel Tax Revenues which may not lawfully be used to pay Municipal Indebtedness and then to pay to the City an amount of Motor Fuel Tax Revenues equal to that percentage. If for any month there are not sufficient Additional City Revenues in the Additional City Revenue Fund to make the required deposits in full to the Accounts in the Debt Service Fund and the Debt Service Reserve Fund, the Trustee shall deposit in the Debt Service Fund all amounts in the Motor Fuel Tax Revenue Fund which are lawfully available for the payment of Municipal Indebtedness. If for any month there are sufficient Additional City Revenues available to make the required deposits, the Trustee will pay the amounts in the Motor Fuel Tax Revenue Fund which are lawfully available for the payment of Municipal Indebtedness to the City or pursuant to the City’s direction.

#### ***Debt Service Fund***

The General Ordinance created a Debt Service Fund to be maintained by the Trustee and used to pay the debt service on Bonds. Separate accounts in the Debt Service Fund are required to be established for each Series of Bonds. The Series 2013 Bond Ordinance establishes a Series 2013 Bonds Account in the Debt Service Fund for the Series 2013 Bonds. Pledged Revenues deposited into the Series 2013 Bonds Account shall be used to pay the principal and Redemption Price, if any, of and interest on the Series 2013 Bonds when due.

The Series 2013 Bond Ordinance established a monthly deposit requirement for the Series 2013 Bonds Account. See APPENDIX A—“SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS—Establishment of Debt Service Fund.” Each month, any amounts of Additional City Revenues in the Debt Service Fund in excess of the required deposits (other than in any Rebate Accounts created under it) are required to be transferred to the Debt Service Reserve Fund, discussed below, until the amount in each Account in the Debt Service Reserve Fund equals the Reserve Requirement for such Account. After that, any remaining amounts of available Additional City Revenues are used to make, to the extent required, deposits into the Rebate Accounts. After the deposits to the Rebate Accounts have been made and if there remains any excess amount of available Additional City Revenues, such excess Additional City Revenues, if any, are then paid by the Trustee to the City, or pursuant to the City’s direction (the “*Excess Additional City Revenues*”).

Once the Trustee has applied all of the Additional City Revenues as described above, if amounts in the Additional City Revenue Fund are not sufficient to make all of the required deposits, the Trustee is required to deposit all amounts in the Motor Fuel Tax Revenue Fund to the credit of the Debt Service Fund in order to make up any deficiency in the monthly deposit requirements for each Series of Outstanding Bonds. Each month any amounts of Motor Fuel Tax Revenues in the Debt Service Fund in excess of the required deposits (other than in any Rebate Accounts created under it) are required to be transferred to the Debt Service Reserve Fund until the amount in each Account in the Debt Service

Reserve Fund equals the Reserve Requirement for such Account. After that, any remaining amounts of available Motor Fuel Tax Revenues are used to make, to the extent required, deposits into the Rebate Accounts. After the deposits to the Rebate Accounts, any excess amounts of Motor Fuel Tax Revenues, if any, are then paid by the Trustee to the City, or pursuant to the City's direction.

Any Motor Fuel Tax Revenues remaining after the Rebate Accounts are fully funded (either with Additional City Revenues or Motor Fuel Tax Revenues) are "*Excess Motor Fuel Tax Revenues*" and, together with the Excess Additional City Revenues, are defined herein as the "*Excess Revenues*." The City has committed such Excess Revenues in the TIFIA Loan Agreement toward the redemption of the TIFIA Bond. See "*—Excess Revenues and Repayment of TIFIA Bond*" below.

#### ***Debt Service Reserve Fund***

The General Ordinance established a Debt Service Reserve Fund to be maintained by the Trustee as additional security for Bonds issued under the General Ordinance and permits the City to establish a separate account in the Debt Service Reserve Fund for each Series of Bonds which secures only that Series. In connection with the issuance of any Series of Bonds, the General Ordinance requires an amount of funds to be deposited in the Debt Service Reserve Account for any such Series in an amount not less than the Reserve Requirement for such Series (which may be zero).

The definition of "*Reserve Requirement*" included in the General Ordinance provides that for all Series of Bonds issued after September 2, 1993, the Reserve Requirement is the amount, if any, provided in the related Series Ordinance or Determination Certificate. No Reserve Requirement was established for the Series 2003 Bonds or for the Series 2008 Bonds. The TIFIA Determination Certificate requires the City to fund a Debt Service Reserve Account for the TIFIA Bond by December 31, 2019 from Pledged Revenues in the amount of \$6,572,682. As of May 15, 2014, the City had deposited \$2,872,015 into the TIFIA Debt Service Reserve Account. The Series 2013 Bond Ordinance provides that the Reserve Requirement for the Series 2013 Bonds will be as set forth in the Series 2013 Determination Certificate. The Series 2013 Determination Certificate will provide for a Reserve Requirement of \$0. *Any amount that may be deposited into the Series 2013 Debt Service Reserve Account will secure only the Series 2013 Bonds, and would not be available to pay the principal and interest on the Series 2008 Bonds or the TIFIA Bond.*

*The amounts that are deposited into the TIFIA Debt Service Reserve Account, secure only the TIFIA Bond and will not secure, and would not be available to pay, the principal and interest on the Series 2008 Bonds or the Series 2013 Bonds. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS – Debt Service Reserve Fund."*

#### ***Rebate Account***

The General Ordinance established in the Debt Service Fund a separate Rebate Account with respect to each Series of Bonds. The Series 2013 Bond Ordinance establishes the Series 2013 Rebate Account with respect to the Series 2013 Bonds. The General Ordinance requires that there be deposited in the Debt Service Fund to the credit of the Rebate Accounts, after there are no deficiencies in any of the other accounts in the Debt Service Fund or the Debt Service Reserve Fund, the amounts as shall be required to be held available for rebate to the United States of America with respect to each Series of Bonds. The amounts to be held available shall be determined from time to time by the City. Amounts on deposit in the Series 2013 Rebate Account do not secure the Series 2013 Bonds.

### ***Excess Revenues and Repayment of TIFIA Bond***

As noted under the heading “—Debt Service Fund” above, Excess Revenues consist of Excess Additional City Revenues, if any, and/or Excess Motor Fuel Tax Revenues, if any. Under the Ordinances, any Excess Revenues which remain after all of the monthly deposits that are required to be made by the Trustee to the Funds and Accounts described above are to be paid by the Trustee to the City, or pursuant to the City’s direction, and be available for any lawful purpose. See APPENDIX A—“SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS.”

Notwithstanding the City’s ability to expend Excess Revenues for any lawful purpose, the TIFIA Loan Agreement requires that the City apply a portion of Excess Revenues to the redemption of the TIFIA Bond after the TIFIA Reserve Requirement has been met and while the TIFIA Bond remains Outstanding. Pursuant to the TIFIA Loan Agreement, the City is required to cause the Trustee each month to use an amount of Excess Revenues equal to the Surplus ACR Amount to effect a redemption of the TIFIA Bond. As used herein, “*Surplus ACR Amount*” means an amount equal to the amount of Additional City Revenues on deposit in the Additional City Revenue Fund each month immediately prior to the Trustee making all transfers to the Accounts in the Debt Service Fund and the Debt Service Reserve Fund required to be made pursuant to the General Ordinance, less amounts required, pursuant to the General Ordinance, to be transferred in such month in the TIFIA Debt Service Account and the TIFIA Debt Service Reserve Account. In addition, the TIFIA Loan Agreement provides that upon the occurrence of certain non-payment type defaults (as set forth in the TIFIA Loan Agreement), the City will be required to effect an extraordinary, mandatory prepayment of the TIFIA Loan with Excess Revenues by redeeming the TIFIA Bond.

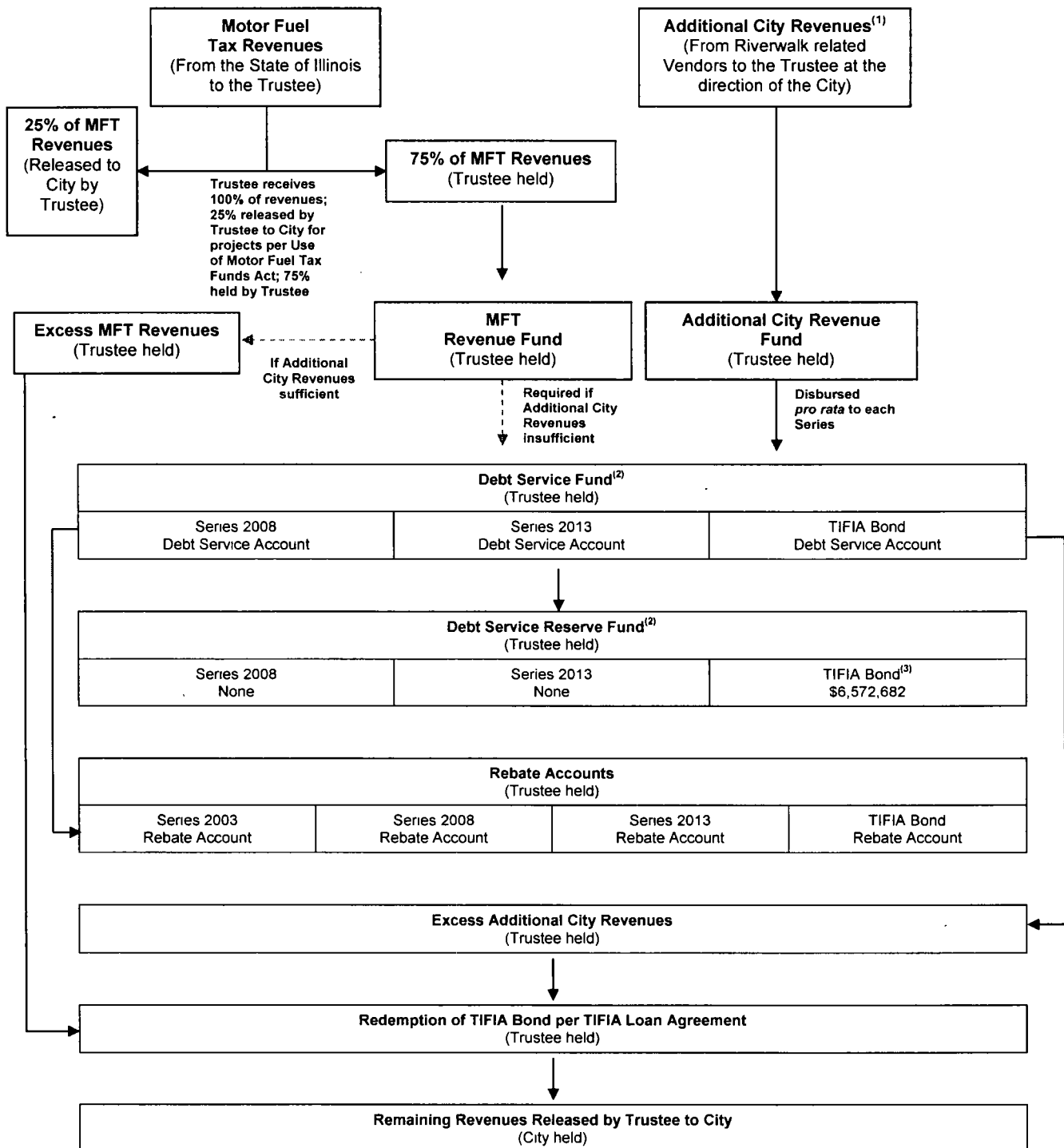
**In the event of any redemption in full of the TIFIA Bond, and the repayment of any other amounts owed under the TIFIA Loan Agreement, the pledge of Additional City Revenues for the payment of Outstanding Bonds, including the Series 2013 Bonds, will cease and Outstanding Bonds would thereafter be secured by Motor Fuel Tax Revenues, but not by Additional City Revenues. See “CERTAIN INVESTMENT RISK FACTORS—Limited Duration of Additional City Revenues Pledge.”**

### ***Flow of Funds***

The table on the following page sets forth the flow of funds described above.

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## Flow of Funds



- (1) Additional City Revenues are only pledged to the payment of Outstanding Bonds, including the Series 2013 Bonds, until such time as (i) the TIFIA Bond is no longer Outstanding, and (ii) the City has paid all amounts due under the TIFIA Loan Agreement
- (2) Reflects the flow of funds into the Debt Service Fund and the Debt Service Reserve Fund after issuance of the Series 2013 Bonds and the redemption of all of the Outstanding Series 2003 Bonds
- (3) The TIFIA Bond Debt Service Reserve Fund will be funded from Excess Revenues over time, but in any event by December 31, 2019



## **Series Ordinances and Supplemental Ordinances**

The General Ordinance provides that the City may adopt Series Ordinances from time to time to provide for the issuance of series of Additional Bonds, subject to the requirements described under the caption “ADDITIONAL BONDS.”

The General Ordinance also provides that the City may adopt Supplemental Ordinances for any one or more of the following purposes without prior notice to or the consent of the owners of the Bonds Outstanding. These purposes include:

- (1) to add additional covenants and agreements of the City for the purpose of further securing the payment of the Bonds;
- (2) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of obligations by the City;
- (3) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the General Ordinance;
- (4) to confirm as further assurance any covenant, pledge, assignment, lien or security interest created or recognized by the provisions of the General Ordinance;
- (5) to take any further action necessary or desirable for the collection and application of moneys sufficient to pay debt service on the Bonds as it falls due; and
- (6) with the consent of the Trustee, to correct any ambiguity or defect or inconsistent provisions in the General Ordinance or any Series Ordinance or to insert such provisions clarifying matters or questions arising under the General Ordinance or any Series Ordinance as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the General Ordinance or any Series Ordinance as in effect prior to the adoption of any such Supplemental Ordinance.

The General Ordinance also provides that the City may adopt Supplemental Ordinances amending the General Ordinance and modifying or amending the rights and obligations of the City and the owners of the Bonds as described in APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS—Modification of the General Ordinance.”

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2013 Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Series 2013 Bonds maturing on January 1 of the years 2030 through 2033, inclusive (the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P and “A2” (stable outlook) by Moody’s. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of the Insured Bonds. AGM only guarantees scheduled principal and scheduled interest payments payable by the City on the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the ratings on the Insured Bonds will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On March 18, 2014, S&P published a Research Update report in which it upgraded AGM’s financial strength rating to “AA” (stable outlook) from “AA-” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On February 10, 2014, Moody’s issued a press release stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

### *Capitalization of AGM*

At March 31, 2014, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,621 million and its net unearned premium reserve was approximately \$1,869 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, of AGM’s wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM’s indirect subsidiary Municipal Assurance Corp.; after giving effect to certain intercompany eliminations; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2013 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE—Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “*AGM Information*”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured Series 2013 Bonds offered under this Official Statement and such purchases may constitute a significant proportion of the Series 2013 Bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured Series 2013 Bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured Series 2013 Bonds at any time or from time to time.

AGM makes no representation regarding the Series 2013 Bonds or the advisability of investing in the Series 2013 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and APPENDIX D—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

### **TIFIA BOND**

The City issued the TIFIA Bond on June 12, 2013, to the USDOT in a maximum principal amount not to exceed \$98,660,000, exclusive of capitalized interest, to secure the City’s repayment obligation of the TIFIA Loan pursuant to the TIFIA Loan Agreement. The proceeds from the TIFIA Loan are being used by the City to finance the construction of the Riverwalk Expansion Project pursuant to the Transportation Infrastructure Finance and Innovation Act (“*TIFIA*”). During the construction phase of the Riverwalk Expansion Project, the City will draw funds pursuant to the provisions of the TIFIA Loan Agreement to pay or reimburse construction costs, thereby increasing the outstanding principal balance of the TIFIA Bond by the amount of such draw of funds. After construction completion, the

principal amount of the TIFIA Bond will be reduced over time as a result of regularly scheduled payments and prepayments of the TIFIA Bond as described below.

The TIFIA Loan Agreement provides for payments to be made on the TIFIA Bond on January 1 and July 1 of each year through January 1, 2048. The TIFIA Loan Agreement also provides that once the City has funded the TIFIA Debt Service Reserve Account in an amount equal to the TIFIA Reserve Requirement of \$6,572,682 by no later than December 31, 2019, the City shall cause the Trustee to prepay the principal of the TIFIA Bond on a monthly basis from a portion of Excess Revenues in an amount equal to the Surplus ACR Amount for such month. In addition, upon the occurrence of certain events of default under the TIFIA Loan Agreement, the City is required to cause the Trustee to redeem the TIFIA Bond, in whole, from Excess Revenues. To the extent that Excess Revenues are not sufficient to redeem the TIFIA Bond in whole, the TIFIA Bond must be partially redeemed from Excess Revenues, with the last maturity to be redeemed first, until such time as the TIFIA Bond is no longer Outstanding. The TIFIA Loan Agreement also allows for redemption of the TIFIA Bond in whole or in part at any time at the option of the City. Upon the City's repayment of the TIFIA Bond, and any other moneys due and owing under the TIFIA Loan Agreement, the pledge of Additional City Revenues to the payment of Bonds, including the Series 2013 Bonds, will end.

### **ADDITIONAL BONDS**

Under the General Ordinance, the City may at any time issue Additional Bonds for any lawful purpose allowed by the Use of Motor Fuel Tax Funds Act, which Additional Bonds shall be on a parity with the Series 2013 Bonds, the TIFIA Bond, and the Series 2008 Bonds, but only if (i) there is no default in payment of Outstanding Bonds or in making deposits to the Debt Service Fund; (ii) upon the issuance of Additional Bonds, the value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account; and (iii) the "Revenues Test" is met. For additional information, see the definition of the term "Revenues Test" in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS—General Definitions."

In addition, the City may, without meeting these tests, issue Additional Bonds to pay, purchase, redeem or refund any Bonds, if (i) in the judgment of the City, no money will be available to pay interest on or principal of those Bonds (at maturity or on Sinking Fund Installment dates or pursuant to other mandatory redemption or purchase obligations) as such amounts come due, or (ii) the total amount of required deposits in the Debt Service Fund with respect to all Bonds Outstanding after the issuance of such Additional Bonds will not exceed such required deposits for all Bonds Outstanding prior to the issuance of such Additional Bonds in each Fiscal Year in which any of those Bonds Outstanding prior to the issuance of such Additional Bonds are to remain Outstanding. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS—Additional Bonds."

The City may also issue debt payable from Motor Fuel Tax Revenues or Additional City Revenues which is subordinate to the Bonds.

### **ADDITIONAL CITY REVENUES**

The City has pledged Additional City Revenues to the payment of all Bonds, including the Series 2013 Bonds, but only until such time as (i) the TIFIA Bond is no longer Outstanding and (ii) the City has paid all amounts due under the TIFIA Loan Agreement. See "CERTAIN INVESTMENT RISK FACTORS—Limited Duration of Additional City Revenues Pledge." Revenues received by the City from the sources identified in subparagraphs (i) to (viii) below, as well as any additional legally available

revenues identified by the City's Budget Director, in consultation with the City's Chief Financial Officer, as set forth in Municipal Code Section 2-32-1300, will constitute Additional City Revenues:

- (i) revenues received from the licensing of docks for tour boat operations at designated locations on the Chicago River;
- (ii) revenues received from outdoor kiosk advertising along the roadway adjacent to the Riverwalk;
- (iii) revenues received from any sponsorship of events, programs and initiatives within the Riverwalk;
- (iv) revenues received from naming rights for all or any portion of the Riverwalk;
- (v) revenues received from the leasing of indoor and outdoor retail space within the Riverwalk;
- (vi) revenues received from concession sales of food, beverages, goods and services within the Riverwalk;
- (vii) revenues received from the temporary use of space and facilities within the Riverwalk or from the use of City owned docks and slips immediately adjacent to the Riverwalk; and
- (viii) revenues received from meters and similar devices for docking or mooring of boats and similar vessels at City owned docks and slips immediately adjacent to the Riverwalk.

Of the sources identified in subparagraphs (i) to (viii) above, only the revenues received from the licensing of docks for tour boat operations at two specific locations on the Chicago River are currently available for deposit into the Additional City Revenue Fund. Beginning in 2015, the revenues received from retail operations already operating along the south bank of the Chicago River from State Street to Lake Shore Drive are expected to be received by the City and will thereafter be included in Additional City Revenues. The other sources of Additional City Revenues described above would only become available for payment of principal, Redemption Price and interest on the Bonds as a result of the completion of the Riverwalk Expansion Project. **While the City currently estimates that all phases of the Riverwalk Expansion Project will be substantially complete by 2016, there can be no assurance given that every source of Additional City Revenues described above will become available. Further, there can be no assurance given as to when any sources of Additional City Revenues that are not currently available will become available or as to the total and ongoing amounts of any Additional City Revenues once they become available.**

The City's Budget Director, in consultation with the City's Chief Financial Officer, has the right to include other sources of legally available revenues as Additional City Revenues. However, there is no obligation on the part of the City's Budget Director to designate additional sources of revenue to be Additional City Revenues.

### **Tour Boat Agreements**

In March 2013, the City entered into non-exclusive license agreements (collectively, the "*Tour Boat Agreements*") with two tour boat operators ("*Licensees*") allowing each Licensee to dock its vessels at specific docking locations on the Chicago River. The Tour Boat Agreements set forth a minimum annual guarantee fee payable April 1 and August 1 each year, which increases by 3% annually. For 2014,

the minimum annual guarantee fee totals \$1,422,893.50. The Licensees' minimum annual guarantee fee obligations are secured in part by letters of credit posted with the City each in an amount of \$100,000. In addition to the minimum annual guarantee fee, the Tour Boat Agreements provide for payment of an annual supplemental revenue fee, calculated as a percentage of the Licensee's gross annual revenues, payable no later than 45 days after the end of each year. The fees generated by the Tour Boat Agreements have been directed by the City to be paid by the Licensees to the Trustee for deposit into the Additional City Revenue Fund. Both Tour Boat Agreements have an initial ten year term, but may be extended by the City for up to eight additional five-year terms. The City has the right to terminate the Tour Boat Agreements due to breach by the Licensee or upon 15 days' notice at any time it determines that termination would be in the best interest of the City. The Licensees may not terminate the Tour Boat Agreements prior to expiration. No assurance can be given that the Tour Boat Agreements will not be terminated prior to expiration, or that the revenues generated by the Licensees will be sufficient to pay the amounts due thereunder.

For the period from March 19, 2013 through May 8, 2014, the City has received a total of \$2,871,941.50 in Additional City Revenues from the licensing of docks for tour boat operations as described above. Such Additional City Revenues are shown in the following table.

#### ADDITIONAL CITY REVENUES – TOUR BOAT AGREEMENT LICENSE FEES RECEIVED

<u>Calendar Year</u>	<u>Fees Received</u>
2013 <sup>(1)</sup>	\$1,381,450.00
2014 <sup>(2)</sup>	<u>1,490,491.50</u>
Total	<u>\$2,871,941.50</u>

(1) Does not include supplemental revenue fees for calendar year 2013, which were due and paid in 2014

(2) Partial year, includes supplemental revenue fees for calendar year 2013, which were paid as scheduled in 2014 per the Tour Boat Agreements, and the April 1 installment of the 2014 minimum annual guarantee fee

#### MOTOR FUEL TAX REVENUES

##### General

The Motor Fuel Tax Law, enacted in 1929 and subsequently amended, imposes a tax upon the privilege of operating motor vehicles upon the public highways and recreational type watercraft upon the waters of the State, based upon the consumption of motor fuel within the State. Under current law, all moneys received by the Department of Revenue of the State (the "*Department*") under the Motor Fuel Tax Law are required to be deposited in a special fund in the State Treasury known as the "Motor Fuel Tax Fund." The Motor Fuel Tax Fund is comprised of revenues received from the following sources: (i) the motor fuel tax of 19 cents per gallon, and (ii) an additional 2.5 cents per gallon tax imposed upon the consumption of diesel fuel (collectively referred to herein as the "*State MFT Funds*").

All distributors and suppliers, as defined by the Motor Fuel Tax Law, of motor fuel are required to collect such tax at the time of sale. Each month, distributors and suppliers are required to report and pay the previous month's tax collections to the Department. If the distributors and suppliers file such returns on a timely basis, a 1.75 percent discount is permitted under the Motor Fuel Tax Law to reimburse expenses incurred in keeping records, preparing and filing returns, collecting and remitting the tax, and supplying data to the Department upon request. All motor carriers, as defined by the Motor Fuel Tax

Law, are required to file returns quarterly and remit tax owing or receive a refund for prior taxes paid based on the amount of fuel consumed in the State.

### **Allocation and Distribution**

On a monthly basis, following the annual appropriation of State MFT Funds by the Illinois General Assembly, the State MFT Funds are distributed in accordance with the provision of the Motor Fuel Tax Law in the manner and in the amounts depicted on the distribution flow chart presented on the following page.

Under current law, collections attributable to the 2.5 cents per gallon diesel fuel tax are transferred to the State Construction Account Fund in the State Treasury. Additionally, the Motor Fuel Tax Law provides that \$420,000 per month be transferred to the State Boating Act Fund and \$3,500,000 per month be deposited in the Grade Crossing Protection Fund. State MFT Funds are also reserved by the Illinois General Assembly in an amount sufficient to cover (i) administrative costs and refunds of the Department, (ii) the Illinois Department of Transportation's supervision costs, (iii) refunds permitted to certain specified persons by the Motor Fuel Tax Law and under the terms of the International Fuel Tax Agreement ("*IFTA*") with other states and jurisdictions permitting base state or jurisdiction licensing, (iv) transfers to the Vehicle Inspection Fund, (v) amounts ordered to be paid by the Illinois Court of Claims and (vi) the payment of motor fuel use taxes to member jurisdictions under the IFTA. The foregoing are collectively referred to as the "*Priority Allocations*."

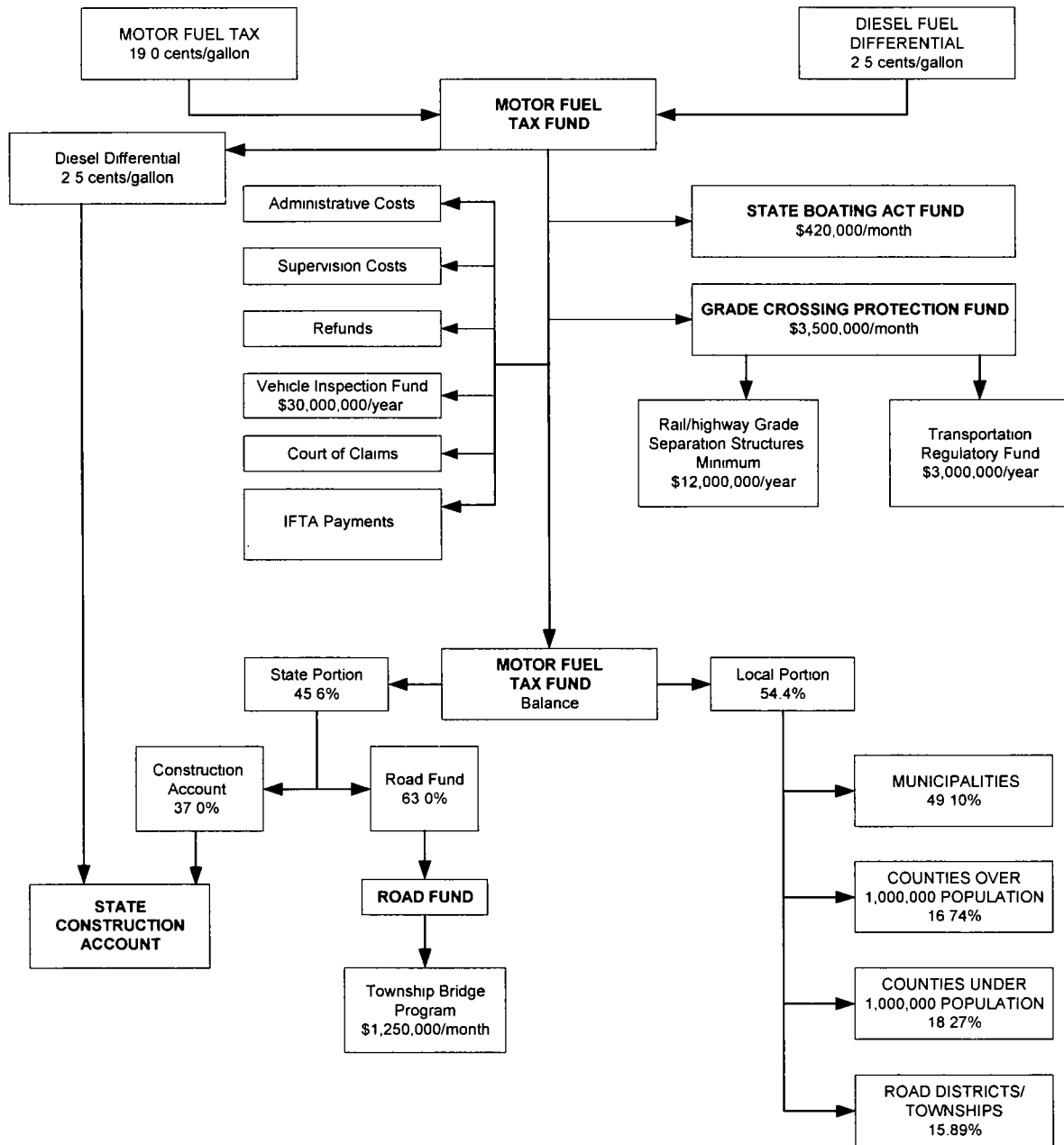
Of the remaining State MFT Funds, 45.6 percent is allocated to various funds and accounts for various State purposes and the remaining 54.4 percent is allocated to local units of government (the "*Local Allocation*"). The Local Allocation is distributed as follows: (i) 49.10 percent to the municipalities of the State, (ii) 16.74 percent to the counties of the State having 1,000,000 or more inhabitants, (iii) 18.27 percent to the counties of the State having less than 1,000,000 inhabitants and (iv) 15.89 percent to the road districts of the State.

The Illinois Department of Transportation allocates the funds allotted to the several municipalities of the State in proportion to the population of such municipalities as determined by the last preceding municipal census if conducted by the Federal Government or Federal census or as otherwise permitted under the Motor Fuel Tax Law.

The distribution of Motor Fuel Tax Revenues is set forth in the following table:

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## DISTRIBUTION OF THE ILLINOIS MOTOR FUEL TAX FUND



Source: Illinois Department of Transportation



### **Motor Fuel Tax Collections**

The table captioned "STATE MOTOR FUEL TAX FUNDS COLLECTIONS AND CITY MOTOR FUEL TAX REVENUES" and footnotes thereto on the following page are based on the City's actual cash receipts of Motor Fuel Tax Revenues for the calendar years presented. The City generally receives Motor Fuel Tax Revenues in the month following the State's collection of State MFT Funds. State MFT Funds are generally collected by the State in the month following the month the motor fuel tax liabilities are incurred by motor fuel distributors and suppliers. The City, therefore, generally receives Motor Fuel Tax Revenues in the second month following the month in which distributors and suppliers incur the tax. See "CERTAIN INVESTMENT RISK FACTORS—Delayed Motor Fuel Tax Payments." Changes in rates of the motor fuel tax are reflected in the Motor Fuel Tax Revenues two months following the effective date of such tax rate change.

**PAYMENT OF THE MOTOR FUEL TAX REVENUES TO THE CITY IS SUBJECT TO ANNUAL APPROPRIATION BY THE ILLINOIS GENERAL ASSEMBLY. THE STATE IS NOT LIABLE FOR AND HAS NOT GUARANTEED THE PAYMENT OF THE SERIES 2013 BONDS. THE SERIES 2013 BONDS DO NOT CONSTITUTE STATE DEBT.**

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**STATE MOTOR FUEL TAX FUNDS COLLECTIONS  
AND CITY MOTOR FUEL TAX REVENUES<sup>(1)</sup>**  
(Dollars in thousands)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Calendar Year	Tax Rate cents/gal. <sup>(2)</sup>	State MFT Funds <sup>(3)</sup>	Priority Allocations	State Allocation	Local Allocation	Municipal Allocation	City Population Percentage <sup>(4)</sup>	City Motor Fuel Tax Revenues Available for Debt Service <sup>(5)</sup>
2004	19.0	\$1,350,284	\$201,951	\$523,640	\$624,693	\$306,724	26.8	\$82,185
2005	19.0	1,378,420	185,992	543,747	648,681	318,502	26.5	84,521
2006	19.0	1,367,232	182,065	540,436	644,731	316,563	26.3	83,287
2007	19.0	1,382,315	189,111	544,101	649,103	318,710	26.1	83,036
2008	19.0	1,323,104	226,263	500,159	596,681	292,971	25.9	75,756
2009	19.0	1,298,666	200,487	500,770	597,409	293,328	25.7	75,244
2010	19.0	1,256,795	186,119	488,228	582,448	285,982	25.6	73,255
2011	19.0	1,233,584	177,866	481,408	574,311	281,987	25.0	70,580
2012	19.0	1,216,708	199,335	463,922	553,451	271,744	24.2	65,826
2013	19.0	1,184,708	183,334	456,627	544,747	267,471	24.2	64,790

(1) State MFT Funds are generally remitted to the Illinois Department of Revenue in the month following collection by distributors and suppliers. The Local Allocation is to be distributed by the State in the subsequent month. The table summarizes cash receipts based upon distribution.

(2) Represents tax rate in cents per gallon in effect at the end of the year.

(3) The sum of columns (B), (C) and (D) equals column (A).

(4) The City's receipts of Motor Fuel Tax Revenues are based upon a proportion of the City's population to the population of all incorporated municipalities in Illinois. See "MOTOR FUEL TAX REVENUES—Allocation and Distribution."

(5) Since 1984, 25% of the City's receipts of Motor Fuel Tax Revenues have not been available to pay debt service on Bonds. See "SECURITY FOR THE SERIES 2013 BONDS—General Description and Limitations of Use of Motor Fuel Tax Revenues" for a more detailed discussion of the unavailability of Motor Fuel Tax Revenues.

Source: Illinois Department of Transportation

### Historical Motor Fuel Tax Revenues Debt Service Coverage

The amount of Motor Fuel Tax Revenues that was available for the payment of debt service on Outstanding Bonds, the amount of actual debt service which was paid with respect to Outstanding Bonds, and the coverage ratio of Motor Fuel Tax Revenues Available for Debt Service to actual debt service on the Outstanding Bonds for the period 2004 through 2013 is shown below:

<b>Calendar Year</b>	<b>MFT Revenues Available for Debt Service<sup>(1)</sup></b>	<b>Historical MFT Debt Service<sup>(1)</sup></b>	<b>Coverage</b>
2004	\$ 61,639	\$ 12,053	5.11x
2005	63,391	10,775	5.88
2006	62,465	12,210	5.12
2007	62,277	12,206	5.10
2008	56,817	4,630	12.27
2009	56,433	11,865	4.76
2010	54,941	15,484	3.55
2011	52,935	15,478	3.42
2012	49,370	15,467	3.19
2013	48,593	15,461	3.14

<sup>(1)</sup> In thousands of dollars.

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# OUTSTANDING DEBT AND ANNUAL DEBT SERVICE<sup>(1)</sup>

Debt service payable from Pledged Revenues after giving effect to the issuance of the Series 2013 Bonds and the refunding of the Refunded Bonds, is shown below.

Year	Series 2008 Bonds <sup>(2)</sup>			TIFIA Bond <sup>(3)(4)</sup>			Series 2013 Bonds			Total Debt Service Payable From Pledged Revenues <sup>(4)</sup>	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2014	\$ 1,652,443	-	\$ 1,382,794	\$ 3,115,000	-	\$ 8,458,527	\$ 1,652,443	-	\$ 8,458,527	\$ 1,652,443	
2015	6,036,630	-	2,947,720	2,947,720	-	3,655,000	15,877,951	-	3,655,000	15,877,951	
2016	4,524,511	-	3,266,720	3,266,720	-	4,860,375	16,174,856	-	4,860,375	16,174,856	
2017	3,345,648	-	3,366,893	3,366,893	-	4,030,000	15,307,743	-	4,030,000	15,307,743	
2018	3,350,348	-	3,366,893	3,366,893	-	4,230,000	15,410,991	-	4,230,000	15,410,991	
2019	3,359,348	-	3,366,893	3,366,893	-	4,435,000	15,413,491	-	4,435,000	15,413,491	
2020	3,367,395	-	3,362,925	3,362,925	-	4,660,000	15,645,599	-	4,660,000	15,645,599	
2021	3,364,449	-	3,352,468	3,352,468	-	4,895,000	15,780,459	-	4,895,000	15,780,459	
2022	3,365,536	-	3,336,793	3,336,793	-	5,135,000	15,924,230	-	3,336,793	15,924,230	
2023	3,375,330	-	3,315,511	3,315,511	-	5,405,000	16,076,585	-	3,315,511	16,076,585	
2024	3,373,833	-	3,288,155	3,288,155	-	5,670,000	16,241,995	-	3,288,155	16,241,995	
2025	3,381,040	-	3,254,398	3,254,398	-	5,955,000	16,405,371	-	3,254,398	16,405,371	
2026	3,391,664	-	3,213,634	3,213,634	-	6,250,000	16,586,370	-	3,213,634	16,586,370	
2027	3,410,410	-	3,165,388	3,165,388	-	6,560,000	16,779,457	-	3,165,388	16,779,457	
2028	3,416,875	-	3,109,027	3,109,027	-	6,890,000	16,969,026	-	3,109,027	16,969,026	
2029	3,416,500	-	3,044,219	3,044,219	-	7,230,000	17,165,435	-	3,044,219	17,165,435	
2030	3,429,500	-	2,971,615	2,971,615	-	7,595,000	17,338,344	-	2,971,615	17,338,344	
2031	3,435,625	-	2,890,780	2,890,780	-	7,975,000	17,507,699	-	2,890,780	17,507,699	
2032	3,444,875	-	2,799,452	2,799,452	-	8,375,000	17,687,598	-	2,799,452	17,687,598	
2033	3,447,250	-	2,697,289	2,697,289	-	8,821,000	17,874,758	-	2,697,289	17,874,758	
2034	12,505,625	-	2,583,102	2,583,102	-	9,320,000	18,070,042	-	2,583,102	18,070,042	
2035	12,488,500	-	2,456,179	2,456,179	-	9,821,000	18,275,630	-	2,456,179	18,275,630	
2036	12,475,875	-	2,315,417	2,315,417	-	10,321,000	18,492,805	-	2,315,417	18,492,805	
2037	12,461,375	-	2,160,464	2,160,464	-	10,821,000	18,721,725	-	2,160,464	18,721,725	
2038	12,448,625	-	1,989,685	1,989,685	-	11,321,000	18,962,473	-	1,989,685	18,962,473	
2039	-	-	1,837,918	1,837,918	-	11,821,000	19,214,987	-	1,837,918	19,214,987	
2040	-	-	1,707,240	1,707,240	-	12,321,000	19,478,031	-	1,707,240	19,478,031	
2041	-	-	1,563,728	1,563,728	-	12,821,000	19,747,986	-	1,563,728	19,747,986	
2042	-	-	1,405,873	1,405,873	-	13,321,000	20,020,805	-	1,405,873	20,020,805	
2043	-	-	1,232,856	1,232,856	-	13,821,000	20,300,725	-	1,232,856	20,300,725	
2044	-	-	1,048,658	1,048,658	-	14,321,000	20,587,120	-	1,048,658	20,587,120	
2045	-	-	853,423	853,423	-	14,821,000	20,880,302	-	853,423	20,880,302	
2046	-	-	640,216	640,216	-	15,321,000	21,179,518	-	640,216	21,179,518	
2047	-	-	408,037	408,037	-	15,821,000	21,484,523	-	408,037	21,484,523	
2048	-	-	143,784	143,784	-	16,321,000	21,794,523	-	143,784	21,794,523	
Total	\$132,269,208	\$80,479,254	\$181,587,180	\$105,895,000	\$58,259,027	\$164,154,027	\$478,010,414				

(1) Totals may not add due to rounding

(2) Payable from Pledged Revenues on a parity basis with the Series 2013 Bonds

(3) The amounts shown reflect the City drawing the maximum principal amount of \$98,660,000, exclusive of capitalized interest, available under the TIFIA Loan Agreement and do not reflect reductions in debt service payments resulting from partial prepayments in accordance with the TIFIA Loan Agreement. See "TIFIA BOND."

(4) Based on maximum annual debt service of \$19,811,395 and 2013 Motor Fuel Tax Revenues only, available for debt service of \$48,593,000, the *pro forma* debt service coverage is 2.45 times maximum Annual Debt Service. See the table captioned "STATE MOTOR FUEL TAX FUNDS COLLECTIONS AND CITY MOTOR FUEL TAX REVENUES." Debt service coverage ratios in future years will vary based upon the amount of Pledged Revenues actually received by, or on behalf of, the City

## **USE OF MOTOR FUEL TAX REVENUES BY THE CITY**

Under current law, the City may use Motor Fuel Tax Revenues for one or more purposes relating to the municipal administration of streets permitted by the Use of Motor Fuel Tax Funds Act. Such purposes include the payment of debt service on Municipal Indebtedness incurred in the completion of any improvement or maintenance of any municipal street or the construction, maintenance and repair of sidewalks or other pedestrian paths. Regardless of the funding source for such projects, the City selects all projects based upon the recommendations of the various departments of the City that are charged with the responsibility of spending Motor Fuel Tax Revenues on projects that are permitted by the Use of Motor Fuel Tax Funds Act. Such recommendations are made by the various departments as part of their proposed annual budgets. In preparing the City's annual budget, the project recommendations which are approved become part of the City's annual budget recommendation. The annual budget recommendation, as amended and passed by the City Council and approved by the Mayor, becomes the annual appropriation ordinance. A separate ordinance is also adopted on an annual basis authorizing the expenditure of Motor Fuel Tax Revenues by designated City departments for projects identified in the annual appropriation ordinance; this separate ordinance and a description of the projects to be funded from Motor Fuel Tax Revenues during the forthcoming year are submitted for approval to the Illinois Department of Transportation.

The City has informed the Illinois Department of Transportation of its intention to issue the Series 2013 Bonds for the purpose of refunding the Refunded Bonds. The Illinois Department of Transportation has approved the use of the proceeds from the Series 2013 Bonds for that purpose and the disbursement of Motor Fuel Tax Revenues to pay principal and Redemption Price, if any, of and interest on the Series 2013 Bonds.

Costs related to Motor Fuel Tax eligible projects are an allowable expense under the Use of Motor Fuel Tax Funds Act. In this regard, the City could apply either (i) a portion of the 25% of Motor Fuel Tax Revenues that can be expended for Motor Fuel Tax eligible projects or (ii) Excess Revenues, to the payment of pension obligations. The City has no current expectation to use Motor Fuel Tax Revenues to contribute to the Retirement Funds; however, pension costs related to Motor Fuel Tax eligible projects are an allowable expense under the Use of Motor Fuel Tax Funds Act. See "CERTAIN INVESTMENT RISKS—Pension Obligations," and APPENDIX B—"RETIREMENT FUNDS." Any application of Pledged Revenues to pay pension obligations would only be permitted after payment of annual debt service on the Bonds. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS—Modification of the General Ordinance."

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## **CERTAIN INVESTMENT RISK FACTORS**

The purchase of Series 2013 Bonds involves certain investment risks and considerations. In addition to factors set forth elsewhere in this Official Statement, purchasers of the Series 2013 Bonds should carefully consider the following risk factors in connection with an investment in the Series 2013 Bonds. The following summary does not purport to be comprehensive or definitive, but rather is intended only as a brief summary of certain of such risk factors.

### **Decline in Motor Fuel Tax Revenues**

Motor Fuel Tax Revenues allocated to the City have been declining annually since 2005. Even during recent periods of economic expansion, the Motor Fuel Tax Revenues have not recovered to prior levels. Additionally, during recent periods of economic recession, Motor Fuel Tax Revenues have decreased more than the economy as a whole. However, Motor Fuel Tax Bonds debt service coverage remains favorable at 2.45x based on maximum annual debt service and Motor Fuel Tax Revenues available in 2013.

### **Fuel Consumption**

Legislative initiatives aimed at mandating more fuel-efficient vehicles, providing incentives to use mass transit, reducing air pollution and raising revenues through energy-related taxes have resulted in reduced consumption of motor fuel. Other factors that reduce fuel consumption, including increases in the cost of motor fuel and decreases in commercial and recreational travel, may also adversely affect collections of State MFT Funds and the State's distributions of State MFT Funds to local governments. With fuel efficiency standards expected to continue to increase over the next several years as a result of federal mandates, the trend toward less fuel usage is expected to continue.

### **Population**

Under the Motor Fuel Tax Law, the allocation of State MFT Funds to the City is based on the ratio of the City's population to the total population of all incorporated municipalities in the State. See "MOTOR FUEL TAX REVENUES—Allocation and Distribution." The population data for that determination is based on available census information. No assurance can be given that Motor Fuel Tax Revenues received by the City will not be reduced by relative changes in the populations among all incorporated municipalities in the State.

### **Delayed Motor Fuel Tax Payments**

While the transfer of Motor Fuel Tax Revenues to the City has not been delayed, there can be no assurance that delays in the transfer of Motor Fuel Tax Revenues from the State may not occur in the future. In this regard, the State has in recent years been late in making payments of other revenues to units of local government and third party vendors. If the receipt of Motor Fuel Tax Revenues were delayed, the General Ordinance requires the City to take all reasonable steps to obtain from the Treasurer of the State in a timely fashion all amounts of Motor Fuel Tax Revenues which it is entitled to receive under the Motor Fuel Tax Law. If, notwithstanding the efforts of the City, the receipt of Motor Fuel Tax Revenues were delayed, such delay would cause a reduction in the amount of Motor Fuel Tax Revenues the City collects on a timely basis in any given year and could materially adversely affect the City's ability to make required payments on Outstanding Bonds, including the Series 2013 Bonds.

## **Legislative Action**

*General.* The Illinois General Assembly has the authority to amend and supplement the Motor Fuel Tax Law and the Use of Motor Fuel Tax Funds Act regarding distributions to local governments and use of Motor Fuel Tax Revenues. Changes in the character and amount of the distributions shown in the chart entitled “DISTRIBUTION OF THE ILLINOIS MOTOR FUEL TAX FUND” on page 23, and in the allocation formula for the distribution of State MFT Funds, may materially adversely affect the amount of State MFT Funds received by the City. For example, the Illinois General Assembly has from time to time increased the allocation to various funds, including, most recently in 2009, to the Grade Crossing Protection Fund. Previously, in 2000, the Illinois General Assembly eliminated the transfer by the State of certain State sales taxes to the Motor Fuel Tax Fund and increased the allocation ratio to municipalities. The Illinois General Assembly could pass legislation to make additional changes to allocate Motor Fuel Tax Revenue funds for any other State purposes. No assurance can be given that Motor Fuel Tax Revenues will not be reduced or eliminated by the actions of the Illinois General Assembly.

*Annual Appropriation and Appropriation Risk.* Motor Fuel Tax Revenues are subject to annual appropriation by the Illinois General Assembly. Failure of the Illinois General Assembly to duly appropriate the Motor Fuel Tax Revenues may materially and adversely affect the distribution of Motor Fuel Tax Revenues to the City and thereby materially and adversely affect the City’s ability to make required payments on Outstanding Bonds, including the Series 2013 Bonds.

The Motor Fuel Tax Revenues and Additional City Revenues that are received by the City are subject to a continuing appropriation and pledge by the City pursuant to the Series 2013 Bond Ordinance, as described under “SECURITY FOR THE SERIES 2013 BONDS–Pledge Effected Under the Series 2013 Bond Ordinance.”

### **Limited Duration of Additional City Revenues Pledge**

While at the time of their issuance, the Series 2013 Bonds, and all other Outstanding Bonds, will be secured by a pledge of both Motor Fuel Tax Revenues and Additional City Revenues, the pledge of Additional City Revenues is of limited duration and will only continue until such time as (i) the TIFIA Bond is no longer Outstanding and (ii) the City has paid all amounts due under the TIFIA Loan Agreement. The length of time that the TIFIA Bond will be outstanding is impacted by the total debt service for the TIFIA Bond after construction completion of the Riverwalk Expansion Project and the amount of Additional City Revenues generated.

The proceeds from the TIFIA Loan are being used by the City to finance the construction of the Riverwalk Expansion Project. During the construction phase of the Riverwalk Expansion Project, the City will draw funds pursuant to the provisions of the TIFIA Loan Agreement to pay or reimburse construction costs, thereby increasing the outstanding principal balance of the TIFIA Bond by the amount of such draw of funds, in an amount not to exceed \$98,660,000. Due to the draw structure of the TIFIA Bond, if aggregate draws pursuant to the TIFIA Loan Agreement total less than the maximum principal amount of \$98,660,000, the resulting debt service for the TIFIA Bond would be less than the amounts set forth in the “OUTSTANDING DEBT AND ANNUAL DEBT SERVICE” table on page 27 herein. Because the TIFIA Loan Agreement provides for mandatory prepayments of the TIFIA Bond from a portion of the Excess Revenues equal to the Surplus ACR Amount following the funding of the TIFIA Debt Service Reserve Account in an amount equal to the TIFIA Bond Reserve Requirement, lower aggregate debt service on the TIFIA Bond could result in the TIFIA Bond being paid in full prior to its maturity date of 2048 depending on the amount of Additional City Revenues generated as described below.

Further, the timing for when the Additional City Revenues are no longer pledged for the payment of Bonds, including the Series 2013 Bonds, is also dependent on the amount of Additional City Revenues generated. The TIFIA Loan Agreement provides for mandatory prepayment of the TIFIA Bond from a portion of the Excess Revenues equal to the Surplus ACR Amount following the funding of the TIFIA Debt Service Reserve Account in an amount equal to the TIFIA Bond Reserve Requirement. The size of the Surplus ACR Amount dictates the amount of Excess Revenues to be used to redeem the TIFIA Bond; the larger the Surplus ACR Amount, the larger the amount of the TIFIA Bond redeemed. Larger redemptions of the TIFIA Bond pursuant to the terms of the TIFIA Loan Agreement could possibly result in the TIFIA Bond being paid in full prior to its maturity date of 2048. There can, however, be no assurance regarding the amount of future Additional City Revenues for the payment of Bonds, including the Series 2013 Bonds.

Given the TIFIA Bond mandatory prepayment provisions in the TIFIA Loan Agreement, together with the uncertainty of (a) the amount of future Additional City Revenues generated, and (b) the outstanding principal amount of the TIFIA Bond at construction completion of the Riverwalk Expansion Project, the City is unable to predict when the TIFIA Bond and all other amounts due under the TIFIA Loan Agreement will be repaid. As a result, there can be no assurance that the pledge of Additional City Revenues will continue for the duration of time that the Bonds, including the Series 2013 Bonds, remain Outstanding.

### **Pension Obligations**

The City contributes to four Retirement Funds which are significantly underfunded. See APPENDIX B—"RETIREMENT FUNDS." The City does not currently make any contributions to the Retirement Funds from Pledged Revenues, although pension costs related to Motor Fuel Tax eligible projects are an allowable expense under the Use of Motor Fuel Tax Funds Act. Pursuant to the General Ordinance, the City could use either of the following to contribute to the Retirement Funds: (i) a portion of the 25% of Motor Fuel Tax Revenues that is not available for the payment of debt service on Municipal Indebtedness, or (ii) Excess Revenues (subject, however, to the limitation on the amount of Excess Revenues that would be available for this purpose due to provisions in the TIFIA Loan Agreement requiring mandatory prepayment of the TIFIA Bond from Excess Revenues in certain instances described herein). Any use of Pledged Revenues by the City to contribute to the Retirement Funds would require an amendment to the General Ordinance. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS—Modification of the General Ordinance." The City has no current expectation to use Pledged Revenues to contribute to the Retirement Funds.

### **Limited Liability**

THE SERIES 2013 BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE ONLY FROM PLEDGED REVENUES AND DO NOT CONSTITUTE AN INDEBTEDNESS OR A LOAN OF CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PRICE, IF ANY, AND INTEREST ON THE SERIES 2013 BONDS. NO PROPERTY OF THE CITY (INCLUDING PROPERTY LOCATED ALONG THE RIVERWALK) IS PLEDGED AS SECURITY FOR THE SERIES 2013 BONDS.

The Series 2013 Bonds are secured on a parity basis with the Outstanding Bonds. Subject to certain conditions set forth in the General Ordinance, the City may in the future issue Additional Bonds



that will be secured on a parity basis with the Series 2013 Bonds and the Outstanding Bonds. See "ADDITIONAL BONDS."

### **Bankruptcy**

Municipalities cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by State law or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor in a bankruptcy proceeding. State law does not currently permit municipalities in Illinois to file for bankruptcy, except under the provisions of the Local Government Financial Planning and Supervision Act, 50 ILCS 320, applicable only to units of local government which have a population under 25,000. It is unlikely that the broad grant of powers to home rule municipalities under the State Constitution would permit the City to file for protection under the U.S. Bankruptcy Code.

### **THE CITY**

The City was incorporated in 1837. It is a home rule unit of local government under the 1970 Illinois Constitution and as such "may exercise any power and perform any function pertaining to its government and affairs, including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt." The City is authorized by the Illinois Constitution of 1970, the laws of the State and the Ordinances to issue the Series 2013 Bonds.

### **LITIGATION**

There is no litigation pending in any court or, to the best knowledge of the City, threatened, questioning the corporate existence of the City, seeking to restrain or enjoin the issuance or delivery of the Series 2013 Bonds, concerning the proceedings of the City taken in connection with the Series 2013 Bonds or contesting the powers of the City with respect to the foregoing.

### **TAX EXEMPTION**

Federal tax law contains a number of requirements and restrictions that apply to the Series 2013 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed with such proceeds and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2013 Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2013 Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2013 Bonds.

Subject to the City's compliance with the aforementioned covenants, under present law, in the separate opinions of Ice Miller LLP and Quintairos, Prieto, Wood & Boyer, P.A., Co-Bond Counsel, interest on the Series 2013 Bonds is excludible from the gross income of their owners for federal income tax purposes and thus will be exempt from present federal income taxes based on gross income, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2013 Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations.

The Internal Revenue Code of 1986, as amended (the “Code”), includes provisions for an alternative minimum tax (“AMT”) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation’s alternative minimum taxable income (“AMTI”), which is the corporation’s taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICs and FASITs) is an amount equal to 75% of the excess of such corporation’s “adjusted current earnings” over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would include all tax-exempt interest, including interest on the Series 2013 Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the “effectively connected earnings and profits” of certain foreign corporations, which include tax-exempt interest such as interest on the Series 2013 Bonds.

Ownership of the Series 2013 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Co-Bond Counsel will express no opinion with respect to any such collateral consequences with respect to the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

If a Series 2013 Bond is purchased at any time for a price that is less than the Series 2013 Bond’s stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2013 Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2013 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2013 Bond. Purchasers should consult their tax advisors regarding the potential implications of market discount with respect to the Series 2013 Bonds.

There may be pending from time to time in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value or liquidity of the Series 2013 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to securities issued prior to enactment. Prospective purchasers of the Series 2013 Bonds should consult their tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (“IRS”) conducts a program of audits of issues of tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from the gross income of their owners for federal income tax purposes. Whether or not the IRS will decide to audit the Series 2013 Bonds cannot be predicted. If the IRS begins an audit of the Series 2013 Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer subject to the audit and the holders of the Series 2013 Bonds may not have the right to participate in the audit proceedings. The fact that an audit of the Series 2013 Bonds is pending could adversely affect the liquidity or market price of the Series 2013 Bonds until the audit is concluded, even if the result of the audit is favorable.

Interest with respect to the Series 2013 Bonds is not exempt from present Illinois income taxes. Ownership of the Series 2013 Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel will express no opinion regarding any such collateral consequences arising with respect to the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The opinions of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement will be based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Series 2013 Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2013 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2013 Bonds. Co-Bond Counsel have not undertaken to provide advice with respect to any such future changes.

In rendering their opinions on tax exemption, Co-Bond Counsel will receive and rely upon certifications and representations of facts, estimates and expectations furnished by the City which Co-Bond Counsel will not have verified independently. Each Co-Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result if the validity or tax-exempt status of interest on the Series 2013 Bonds is challenged.

### **CERTAIN VERIFICATIONS**

Robert Thomas CPA, LLC, certified public accountants, upon the delivery of the Series 2013 Bonds, will deliver a report stating that the firm, at the request of the City and the Underwriters, has verified the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from the Government Obligations, together with an initial cash deposit, to meet the timely payment of principal of, redemption premium, if any, and interest on the Refunded Bonds when due, and (ii) the yields on the Series 2013 Bonds and the acquired obligations to be held in the Escrow Fund, such computations with respect to such yields to be used to support the conclusion of Co-Bond Counsel to the City that the Series 2013 Bonds are not "arbitrage bonds" under the Code. Robert Thomas CPA, LLC expresses no opinion on the attainability of any assumptions or the tax-exempt status of interest on the Series 2013 Bonds.

### **LEGAL MATTERS**

Issuance of the Series 2013 Bonds is subject to the delivery of separate approving legal opinions by Ice Miller LLP, Chicago, Illinois, and Quintairos, Prieto, Wood & Boyer, P.A., Chicago, Illinois, Co-Bond Counsel, in substantially the form set forth in APPENDIX C – "FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL," to be delivered at the time the Series 2013 Bonds are issued. Certain legal matters will be passed upon for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Official Statement, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, and Kutak Rock, LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Official Statement, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Charity & Associates, P.C., Chicago, Illinois, Underwriters' Counsel.

### **FINANCIAL ADVISOR**

The City has engaged Phoenix Capital Partners, LLP, Chicago, Illinois (the "*Financial Advisor*"), as financial advisor in connection with the authorization, issuance and sale of the Series 2013 Bonds. The Financial Advisor has provided advice on the plan of financing and structure of the Series 2013 Bonds and has reviewed certain legal documents, including this Official Statement, with respect to financial matters. Unless indicated to the contrary, the Financial Advisor has not independently verified the factual

information contained in this Official Statement, but has relied on the information supplied by the City and other sources.

## RATINGS

Ratings of “A2” by Moody’s and “AA+” (stable outlook) by S&P are expected to be assigned to the Insured Bonds; ratings of “Baa1” (negative outlook) by Moody’s, “AA+” (stable outlook) by S&P, and “BBB+” (negative outlook) by Fitch have been assigned to the Series 2013 Bonds that are not Insured Bonds.

An explanation of the significance of each such rating may be obtained from the Rating Agency furnishing the same. A rating reflects only the view of the Rating Agency assigning the rating. Certain information and materials concerning the Series 2013 Bonds were furnished to the Rating Agencies by the City and others. Generally, Rating Agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective Rating Agency. There is no assurance that such ratings will continue to be in effect for any given period of time or that they will not be revised or withdrawn entirely, if, in the sole judgment of Moody’s, S&P or Fitch, circumstances so warrant. The credit ratings assigned by Moody’s and Fitch to the Series 2013 Bonds are based in part on the credit condition of the State because Motor Fuel Tax Revenues are subject to annual appropriation to the City by the Illinois General Assembly; see “CERTAIN INVESTMENT RISK FACTORS—Legislative Action—*Annual Appropriation and Appropriation Risk*.” Accordingly, any downward revision of the general obligation credit rating of the State would likely result in a corresponding downward revision on the ratings assigned by Moody’s and Fitch to the Series 2013 Bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2013 Bonds.

## UNDERWRITING

The Underwriters set forth on the cover page hereof (collectively, the “*Underwriters*”) have jointly and severally agreed to purchase the Series 2013 Bonds at a price of \$115,326,992.85 (which reflects an original issue premium of \$9,994,734.25 and an Underwriters’ discount of \$562,741.40). The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2013 Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2013 Bonds is subject to various conditions established in the Bond Purchase Agreement, but the Underwriters are obligated to purchase all of the Series 2013 Bonds if they purchase any of the Series 2013 Bonds.

Loop Capital Markets LLC (“*LCM*”), one of the Underwriters of the Series 2013 Bonds, has entered into distribution agreements (each a “*Distribution Agreement*”) with each of UBS Financial Services Inc. (“*UBSFS*”) and Deutsche Bank Securities Inc. (“*DBS*”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS and DBS will purchase Series 2013 Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2013 Bonds that such firm sells.

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc. which is a direct, wholly-owned subsidiary of BMO Financial Corp. which is itself a wholly-owned subsidiary of Bank of Montreal.

BNY Mellon Capital Markets, LLC, one of the Underwriters of the Series 2013 Bonds, and Pershing LLC, both direct and indirect subsidiaries of The Bank of New York Mellon Corporation, entered into a distribution agreement (the “*BNYM Distribution Agreement*”) that enables Pershing LLC to

distribute certain new issue municipal securities underwritten by or allocated to BNY Mellon Capital Markets, LLC, including the Series 2013 Bonds. Under the BNYM Distribution Agreement, BNY Mellon Capital Markets, LLC will share with Pershing LLC a portion of the fee or commission paid to BNY Mellon Capital Markets, LLC.

Rockfleet Financial Services, Inc. (“*Rockfleet*”), one of the Underwriters of the Series 2013 Bonds, has entered into an agreement (the “*Rockfleet Distribution Agreement*”) with COR Clearing LLC for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Rockfleet Distribution Agreement, Rockfleet will share a portion of its underwriting compensation with respect to the Series 2013 Bonds with COR Clearing LLC.

Mischler Financial Group, Inc. (“*Mischler*”), one of the Underwriters of the Series 2013 Bonds, has entered into a negotiated dealer agreement (the “*Dealer Agreement*”) with IFS Securities, Inc. (“*IFS*”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement, IFS will purchase Series 2013 Bonds from Mischler at the original issue price less a negotiated portion of the selling concession applicable to any Series 2013 Bonds that IFS sells.

## **SECONDARY MARKET DISCLOSURE**

The City will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the beneficial owners of the Series 2013 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “*MSRB*”) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the SEC under the Securities Exchange Act, as amended (the “*Exchange Act*”). The MSRB has designated its Electronic Municipal Market Access system, known as “*EMMA*,” as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Series 2013 Bonds, the General Ordinance or the Series 2013 Bond Ordinance, and beneficial owners of the Series 2013 Bonds are limited to the remedies described in the Undertaking. See “—Consequences of Failure of the City to Provide Information” under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2013 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2013 Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, copies of which are available from the City upon request.

### **Annual Financial Information Disclosure**

The City covenants that it will disseminate to EMMA its Annual Financial Information and its audited financial statements prepared in accordance with generally accepted accounting principles applicable to governmental units (as described below).

“*Annual Financial Information*” means financial information and operating data generally consistent with that contained herein (i) in the table under the sub-heading “ADDITIONAL CITY

REVENUES—Tour Boat Agreements,” (ii) under the table captioned “STATE MOTOR FUEL TAX FUNDS COLLECTIONS AND CITY MOTOR FUEL TAX REVENUES” under the sub-heading “MOTOR FUEL TAX REVENUES—Motor Fuel Tax Collections,” and (iii) under the sub-heading “MOTOR FUEL TAX REVENUES—Historical Motor Fuel Tax Revenues Debt Service Coverage.”

The City covenants that it will provide its Annual Financial Information (exclusive of audited financial statements) to EMMA not more than 210 days after the last day of the City’s fiscal year, which currently is December 31. Audited financial statements are expected to be filed at the same time as the Annual Financial Information, but if audited financial statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and audited financial statements will be provided to EMMA within 30 days after their availability to the City.

### **Events Notification and Disclosure**

The City covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the Event (as described below), notice of the occurrence of an Event to EMMA. The “*Events*,” certain of which may not be applicable to the Series 2013 Bonds, are:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the securities;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the City (such event will be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing City Council and the City’s officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);

13. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee, or the change of the name of a trustee, if material.

### **Consequences of Failure of the City to Provide Information**

The City shall give notice in a timely manner to EMMA of any failure to provide disclosure of Annual Financial Information and to disseminate its audited financial statements when the same are due under the Undertaking.

In the event of a failure of the City to comply with any provision of the Undertaking, the beneficial owner of any Series 2013 Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Cook County, Illinois. A default under the Undertaking shall not be deemed a default under the Series 2013 Bonds, the General Ordinance, the Series 2013 Bond Ordinance, or any other Series Ordinance, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

### **Amendment; Waiver**

Notwithstanding any other provision of the Undertaking, the City may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or type of business conducted;

(ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2013 Bonds, as determined by parties unaffiliated with the City (such as the Trustee), or by approving vote of the beneficial owners of the Series 2013 Bonds pursuant to the terms of the General Ordinance or the Series 2013 Bond Ordinance at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the Rule.

## **Termination of Undertaking**

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2013 Bonds under the Ordinances.

## **EMMA**

All documents submitted to the MSRB through EMMA pursuant to the Undertaking shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule. All documents submitted to the MSRB through EMMA will be word-searchable PDFs, configured to permit documents to be saved, viewed, printed and electronically retransmitted.

## **Additional Information**

Nothing in the Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an Event, in addition to that which is required by the Undertaking. If the City chooses to include any other information in any Annual Financial Information or notice of occurrence of an Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such other information or include it in any future Annual Financial Information or notice of occurrence of an Event.

## **Corrective Action Related to Certain Bond Disclosure Requirements**

The City has taken corrective actions with respect to its undertakings to file annual financial information and notices of Events for certain previously issued bonds. These corrective actions are explained below.

With respect to the City's Collateralized Single Family Mortgage Revenue Bonds, Series 2006A (the "*Series 2006A Bonds*"), S&P lowered its rating on the Series 2006A Bonds from "AA+" to "AA" and placed the Series 2006A Bonds on "Credit Watch with negative implications" effective December 16, 2011. The City did not cause the trustee as dissemination agent to file a notice of a reportable event with EMMA at that time. Subsequently, S&P upgraded the rating on the Series 2006A Bonds from "AA" to "AA+" effective March 12, 2012. On March 18, 2012, S&P removed the "Credit Watch with negative implications" characterization from the Series 2006A Bonds. The City caused the trustee, as dissemination agent, for the Series 2006A Bonds to file a notice of a reportable event with EMMA on March 26, 2012 disclosing the downgrade and subsequent upgrade of the Series 2006A Bonds by S&P.

With respect to the City's Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2011, American Airlines is an "obligated person" with respect to such bonds. On November 29, 2011, AMR Corporation (the parent company of American Airlines and American Eagle) and certain of its United States-based subsidiaries (including American Airlines and American Eagle) filed voluntary petitions for Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of New York. The City filed a notice with EMMA with respect to this event on March 30, 2012 (not within the ten business-day deadline imposed by the Rule).



With respect to the City's Outstanding Motor Fuel Tax Revenue Bonds, the City's pledge of Additional City Revenues to the payment of such Bonds (in addition to the pledge of Motor Fuel Tax Revenues) became effective as of March 19, 2013. The City filed a notice with EMMA describing the pledge of this additional source of revenue on May 16, 2013.

With respect to the City's outstanding Chicago O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013, Simply Wheelz, LLC d/b/a Advantage Rent A Car ("*Advantage*") is an "obligated person" with respect to such bonds. Advantage filed a voluntary bankruptcy petition in the Southern District of Mississippi on November 5, 2013. The City filed a notice with EMMA with respect to this event on December 5, 2013.

Each continuing disclosure agreement for the City's various series of Collateralized Single Family Mortgage Revenue Bonds (collectively, "*Single Family Bonds*") requires that the annual report for each year that the bonds of such series are outstanding be filed by June 1 of the following year. For several series of Single Family Bonds, the annual report for 2008 was filed by the trustee, as dissemination agent, on June 5, 2009. For the 2002D series of Single Family Bonds, the annual report for 2012 was filed by the trustee, as dissemination agent, on September 19, 2013.

The Rating Agencies took certain rating actions with respect to the ratings of Ambac Assurance Corporation ("*Ambac*"), AGM (formerly known as Financial Security Assurance Inc.) and Assured Guaranty Corp. ("*Assured*" and collectively with Ambac and AGM, the "*Bond Insurers*"). The Bond Insurers provided municipal bond insurance policies relating to certain series of the City's Chicago Midway Airport Revenue Bonds. Event notices with respect to such rating changes were not filed with EMMA as required by the Rule. The City made such required filings on May 22, 2014. An Event notice with respect to the advance refunding of the City's Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B in December of 2013 was not filed with EMMA in compliance with the Rule. The City made a filing with EMMA on May 22, 2014 to correct this deficiency.

Ambac provided a municipal bond insurance policy relating to the Series 2003 Bonds and Assured provided municipal bond insurance policies relating to the Series 2008 Bonds. Event notices with respect to the rating changes taken by the Rating Agencies with respect to these insurers were not filed with EMMA as required by the Rule. The City made a filing with EMMA on June 3, 2014, to correct this deficiency.

#### **MISCELLANEOUS**

The summaries or descriptions in this Official Statement of provisions in the Ordinances and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions and do not constitute complete statements of such documents or provisions. Reference is made to the complete documents relating to such matter for further information, copies of which will be furnished by the City upon written request delivered to the office of the City Comptroller, Room 700, 121 North LaSalle Street, Chicago, Illinois 60602.

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### **AUTHORITY**

The Series 2013 Bonds are authorized and being issued pursuant to the City Council's approval under the powers of the City as a home rule unit under Article VII of the Illinois Constitution of 1970 and under and pursuant to the General Ordinance and the Series 2013 Bond Ordinance. This Official Statement has been authorized by the City Council.

CITY OF CHICAGO

By:   
Chief Financial Officer

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CITY OF CHICAGO

By:                     /s/ Lois A. Scott                      
Chief Financial Officer

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**APPENDIX A**

**CITY OF CHICAGO**

**SUMMARY OF CERTAIN PROVISIONS OF THE  
GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE  
AFTER THE EFFECTIVENESS OF THE AMENDMENTS**

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## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES 2013 BOND ORDINANCE AFTER THE EFFECTIVENESS OF THE AMENDMENTS

The following is a summary of certain provisions of the General Ordinance, as amended to date by the Series 2013 Bond Ordinance. This summary is not a full statement of the terms of the General Ordinance or the Series 2013 Bond Ordinance and accordingly is qualified by reference to the General Ordinance and the Series 2013 Bond Ordinance and is subject to the full text of the General Ordinance and the Series 2013 Bond Ordinance. Capitalized terms not defined in this summary or in the Official Statement have the meanings set forth in the Ordinances.

The City has made certain material changes to the General Ordinance (the “*Amendments*”) in accordance with the provisions of the General Ordinance summarized in this APPENDIX A under the sub-heading “Modification of the General Ordinance.” The Amendments became effective upon the publication of the Series 2013 Bond Ordinance on March 19, 2013. The Amendments affect all of the Bonds, including any Outstanding Bonds and the Series 2013 Bonds. Accordingly, this summary describes the terms of the General Ordinance, as amended, and the Series 2013 Bond Ordinance.

#### **General Definitions**

The following are definitions of certain terms used in the General Ordinance and the Series 2013 Bond Ordinance:

“**Account**” or “**Accounts**” shall mean, as the case may be, each or all of the Accounts or subaccounts established by the General Ordinance or any Series Ordinance, or by any Section or Article of the General Ordinance or any Series Ordinance.

“**Accountant**” shall mean an independent certified public accountant or a firm of independent certified public accountants selected or approved by the City.

“**Accountant’s Certificate**” shall mean an opinion signed by an Accountant.

“**Additional Bonds**” shall mean with respect to any Series of Bonds, any Bonds issued after the time of issuing that Series of Bonds.

“**Additional City Revenue Fund**” shall mean the Additional City Revenue Fund established in the General Ordinance.

“**Additional City Revenues**” means, for purposes of the Series 2013 Bond Ordinance, Project Revenues commencing on the date of publication of the Series 2013 Bond Ordinance and continuing until such time as (i) the TIFIA Bond is no longer Outstanding and (ii) the City has paid any other amounts due under the TIFIA Loan Agreement.

“**Annual Debt Service Requirements**” shall mean, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, the amount required during that period to be deposited in the Account of the Debt Service Fund in respect of principal and interest for that Series of Bonds. With respect to Bonds which bear interest at variable rates, the deposits for purposes of this definition shall be calculated in respect of interest as if the Bonds would bear interest at the lower of (i) the maximum rate which Bonds may bear pursuant to law or (ii) the rate set forth in the applicable authorizing Series Ordinance or, if there is no such maximum rate, at a rate equal to 20 percent

per year. With respect to Bonds for which there is a purchase, unscheduled mandatory redemption or similar unscheduled requirement which is provided to be paid by use of a Credit Support Instrument, the deposits shall be calculated in respect of principal on the basis of scheduled payments of principal (at maturity or pursuant to Sinking Fund Installments) and not pursuant to the purchase, unscheduled mandatory redemption or similar unscheduled requirements provided so to be paid through the Credit Support Instrument.

**“Authorized Officer”** shall mean (a) the Mayor, the Treasurer, the Comptroller, or any other official of the City so designated by a certificate signed by the Mayor and filed with the Trustee for so long as such designation shall be in effect and (b) the City Clerk with respect to the certification of any ordinance or resolution of the City Council or any other document filed in his or her office. With respect to the issuance of the Series 2013 Bonds, the Chief Financial Officer of the City has been designated an Authorized Officer pursuant to a certificate signed by the Mayor and filed with the Trustee.

**“Bond”** or **“Bonds”** shall mean any of the City’s Motor Fuel Tax Revenue Bonds which are issued pursuant to the General Ordinance and a Series Ordinance.

**“Bond Purchase Agreement”** shall mean the Bond Purchase Agreement entered into with respect to the Series 2013 Bonds by the City and the Initial Purchasers of such Series 2013 Bonds.

**“Bond Registrar”** means the Trustee.

**“Bond Year”** shall mean a 12-month period commencing on January 1 of each calendar year and ending on December 31 of that calendar year.

**“Chief Financial Officer”** means the Chief Financial Officer of the City appointed by the Mayor of the City or, if no one holds that position at the time, the Comptroller.

**“Compound Accreted Value”** shall mean, with respect to a Bond issued at an original issue discount in excess of two percent, the principal amount of the Bond at maturity less the unaccrued original issue discount. The amount of the discount shall be accrued on a constant interest rate basis (that is, actuarially on a geometric progression) from the date of issuance of the initially issued Bonds of that Series until the date specified in the applicable Series Ordinance as that date on which those Bonds shall have achieved a compound accreted value equal to their full principal amount (either at the final maturity date of the Bond or earlier, as the case may be).

**“Comptroller”** shall mean the City Comptroller.

**“Cost of Issuance”** shall mean all fees and costs incurred by the City relating to the issuance of Bonds, including, without limitation, printing costs, administrative costs, Trustee’s initial fees and charges, agent’s fees, legal fees, ratings costs, accounting fees and financial advisory fees, and the cost of any bond insurance premium to insure any Bonds and any amounts to be paid to obtain a Credit Support Instrument or a Reserve Fund Credit Instrument.

**“Counsel’s Opinion”** shall mean an opinion signed by a lawyer or firm of lawyers, not employees of the City.

**“Credit Support Instrument”** shall mean a letter of credit, line of credit, insurance policy, guaranty, surety bond or other obligation issued by a Qualified Provider which guarantees or otherwise ensures the ability of the City or the Trustee to pay the principal, Redemption Price of or interest on, or Purchase Price of, any Bonds or by which the institution shall be obligated to purchase Bonds from the Holders of the Bonds.



**“Date of Issuance”** shall mean the date of original issuance and delivery of the Series 2013 Bonds.

**“Debt Service Fund”** shall mean the Debt Service Fund established in the General Ordinance.

**“Debt Service Reserve Fund”** shall mean the Debt Service Reserve Fund established in the General Ordinance.

**“Determination Certificate”** shall mean the certificate of an Authorized Officer filed with the Office of the City Clerk addressed to the City Council as provided in a Series Ordinance.

**“DTC”** shall mean The Depository Trust Company, New York, New York.

**“DTC Participant”** shall mean a direct participant or an indirect participant in DTC pursuant to its rules and operational arrangements.

**“Escrow Deposit Agreements”** shall mean one or more escrow deposit agreements between the City and an escrow agent to be designated in the Determination Certificate to provide for the refunding of the Refunded Bonds.

**“Events of Default”** shall mean the occurrence of an event specified in the General Ordinance which shall give the Trustee the power to take steps to protect, enhance or enforce rights granted in the General Ordinance, a Series Ordinance or a Bond.

**“Fiscal Year”** shall mean the period of 12 calendar months ending with December 31 of any year, or such other period as may be established by the City from time to time.

**“Fitch”** shall mean Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

**“Fund”** or **“Funds”** shall mean, as the case may be, each or all of the Funds established by the General Ordinance.

**“General Ordinance”** shall mean the City’s Motor Fuel Tax Revenue Bonds General Ordinance, adopted November 28, 1990, as amended from time to time.

**“Government Obligations”** shall mean Investment Obligations which are obligations referred to in clauses (a) and (g) of the definition of Investment Obligations, provided that the obligations referred to in clause (g) shall be accompanied by (i) an Accountant’s Certificate to the effect that the escrow is sufficient to pay the obligations when due and (ii) an approving Counsel’s Opinion of nationally recognized bond counsel delivered at the time of the issuance of the obligations referred to in clause (g).

**“Holder”** when used with respect to any Bonds shall mean the registered owner of Bonds. **“Bondholder”** shall mean a Holder of a Bond.

**“Initial Purchasers”** shall mean the initial purchasers of the Series 2013 Bonds identified in the Series 2013 Determination Certificate.

**“Investment Obligations”** shall mean any of the following obligations which at the time of investment of any amounts in any Fund or Account established pursuant to the General Ordinance are legal investments under the laws of the State of Illinois for that Fund or Account:

(a) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations described in (b) below to the extent unconditionally guaranteed by the United States of America and also specifically including similar obligations of the Resolution Funding Corporation; or any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest on any of such obligations) of the character described in this clause (a) as long as the receipt, certificate or other evidence of an ownership interest represents a direct interest in future principal or interest payments on obligations unconditionally guaranteed by the United States of America and such obligations are held by a custodian in safekeeping on behalf of the holders of the receipt, certificate or other evidence of ownership interest in them;

(b) Obligations of the Export-Import Bank of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, the Farmers Home Administration, the Federal Farm Credit System Bank and the Federal Home Loan Mortgage Association, including obligations of any other agency or corporation which has been or may be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which obligations of such agency or corporation have been approved for inclusion among such a list of agency or corporation obligations by the Rating Agency, if any, which at the time maintains a rating of any of the Bonds; or any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions of any such obligations (which may consist of specified portions of the interest on any such obligations) of the character described in this clause (b), which receipt, certificate or other evidence of an ownership interest shall be first approved by the Rating Agency, if any, which at the time maintains a rating of any of the Bonds for inclusion in obligations of the types described in this clause (b);

(c) Direct and general obligations of the State;

(d) Direct and general obligations of any state, other than Illinois, which obligations are rated in either of the two highest rating categories by (i) the Rating Agency, if any, which at the time maintains a rating of any of the Bonds or (ii) any nationally recognized rating agency other than a Rating Agency if a Rating Agency at the time does not maintain a rating of any Bonds;

(e) Repurchase agreements for obligations described in clauses (a) and (b) of this definition, *provided* that the entity which agrees to repurchase such obligations from the City must be a Qualified Financial Institution or a government bond dealer reporting to, trading with and recognized as a primary dealer by a Federal Reserve Bank, in any case with capital and surplus aggregating at least \$50,000,000, and *provided* that the agreement provides for the City to be secured by such obligations (by delivery to the Trustee or its agent in that capacity or by other steps which, as evidenced by a Counsel's Opinion, shall have the effect of securing the Trustee to the same effect as if it or its agent in that capacity were the holder of the underlying obligations) with a market value at least equal to the repurchase amount;

(f) Negotiable or non-negotiable time deposits evidenced by certificates of deposit or investment agreements, or similar banking arrangements, issued or made by banks, savings and loan associations, trust companies or national banking associations (which may include the Trustee) which are members of the Federal Deposit Insurance Corporation or any successor agency to the Federal Deposit Insurance Corporation, *provided* that such time deposits,

investment agreements or similar banking arrangements in any such bank, savings and loan association, trust company or national banking association either (i) are continuously secured by obligations described in subparagraphs (a), (b), (c) or (d) of this definition (by physical delivery to the Trustee or its agent in that capacity or by other steps which, as evidenced by a Counsel's Opinion, shall have the effect of securing the Trustee to the same effect as if it or its agent were in that capacity the physical holder of the underlying obligations), and *provided* further that such obligations at all times have a market value at least equal to the maturity value of the deposits so secured, including accrued interest. (ii) are continuously and fully insured by the Federal Deposit Insurance Corporation or (iii) are rated in the highest rating category by (x) the Rating Agency, if any, which at the time maintains a rating on such deposits, investment agreements or similar banking arrangements or (y) any nationally recognized rating agency other than a Rating Agency if a Rating Agency does not maintain a rating of such deposits, investment agreements or similar banking arrangements;

(g) (i) Obligations of States or political subdivisions of States (within the meaning of the Internal Revenue Code of 1986, as amended) which are fully secured and defeased as to principal and interest by an irrevocable escrow of direct obligations of the United States of America and rated in the highest rating category by the Rating Agency, if any, which at the time maintains a rating of any of the Bonds and (ii) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (i) of this clause (g), which receipt, certificate or other evidence of an ownership interest shall be first approved by the Rating Agency, if any, which at the time maintains a rating of any of the Bonds for inclusion in obligations of the types described in this clause (g);

(h) Investment agreements with Qualified Financial Institutions;

(i) Obligations of the International Bank for Reconstruction and Development (the **"World Bank"**);

(j) Corporate securities, including commercial paper and fixed income obligations, which are rated in the highest rating category by (i) the Rating Agency, if any, which at the time maintains a rating of any of the Bonds or (ii) any nationally recognized rating agency other than a Rating Agency if a Rating Agency at the time does not maintain a rating of any of the Bonds; and

(k) Any other investment permitted by Illinois law for units of local government, rated investment grade by (i) the Rating Agency, if any, which at the time maintains a rating of any of the Bonds or (ii) any nationally recognized rating agency other than a Rating Agency if a Rating Agency at the time does not maintain a rating of any Bonds; *provided* that no investment of funds in the Debt Service Fund shall be made pursuant to 30 ILCS 235/2(a)(5), as in effect on the date of the General Ordinance.

**"Mode Conversion Certificate"** shall mean the certificate of an Authorized Officer executed in connection with any conversion of the Series 2013 Variable Rate Bonds (or Subseries thereof) to another Interest Mode, as provided in the Series 2013 Bond Ordinance.

**"Moody's"** shall mean Moody's Investors Service, its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

**"Motor Fuel Tax Law"** shall mean 35 ILCS 505/1 *et seq.*, as amended.

**“Motor Fuel Tax Revenue Fund”** shall mean the Motor Fuel Tax Revenue Fund established in the General Ordinance.

**“Motor Fuel Tax Revenues”** shall mean the amounts paid to or on behalf of the City from the Motor Fuel Tax Fund in the Treasury of the State of Illinois pursuant to Section 8 of the Motor Fuel Tax Law.

**“Municipal Indebtedness”** shall mean municipal indebtedness incurred in connection with the completion of any improvement authorized by the Use of Motor Fuel Tax Funds Act.

**“Non-Qualified Option”** shall mean an option to enter into a Non-Qualified Swap Agreement.

**“Non-Qualified Swap Agreement”** shall mean an agreement between the City and a Non-Qualified Swap Provider that does not satisfy the requirements for qualification as a Qualified Swap Agreement.

**“Non-Qualified Swap Provider”** shall mean any counterparty with whom the City enters into a Non-Qualified Swap Agreement.

**“Outstanding”** shall mean, when used with reference to Bonds, all of such Bonds which have been issued except (a) Bonds which have been paid or redeemed in full both as to principal and interest or (b) Bonds the payment or redemption of which has been made pursuant to the General Ordinance.

**“Paying Agent”** shall mean Amalgamated Bank of Chicago, Chicago, Illinois, or any successor to it in that capacity appointed by the City and any co-Paying Agent separately appointed by the City.

**“Project Fund”** shall mean the Project Fund established in the General Ordinance.

**“Project Purposes”** shall mean any or all of the purposes for which Motor Fuel Tax Revenues may be used as provided in the Use of Motor Fuel Tax Funds Act.

**“Project Revenues”** means those certain revenues to be received by the City and placed in a single appropriate fund pursuant to Section 2-32-1300 of the Municipal Code of Chicago, as amended from time to time.

**“Purchase Price”** shall mean the price at which a Holder of a Bond shall have the right pursuant to a Series Ordinance to have the Bond purchased from the Holder by the City or the Trustee.

**“Qualified Financial Institution”** shall mean a bank, trust company, national banking association, insurance company or other financial services company whose long-term debt obligations or whose claims-paying abilities are rated in any of the three highest rating categories (without reference to subcategories) by at least one Rating Agency. For purposes of this definition, the term “financial services company” shall include any investment banking firm or any affiliate or division of an investment banking firm which may be legally authorized to enter into the transactions described in the General Ordinance pertaining, applicable or limited to a Qualified Financial Institution.

**“Qualified Option”** shall mean an option to enter into a Qualified Swap Agreement.

**“Qualified Provider”** shall mean a bank (including, without limitation, a national banking association or a foreign bank authorized to do business in the United States of America), insurance company or other institution, which bank, company or institution provides letters of credit, lines of credit, insurance policies, guaranties, surety bonds or other similar obligations for municipal bonds, which obligations of the institution are rated in one of the top three full rating categories by Moody’s and S&P.

**“Qualified Swap Agreement”** means an agreement between the City and a Qualified Swap Provider under which the City agrees to pay the Qualified Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Qualified Swap Provider agrees to pay the City for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount or pursuant to which the City purchases a cap or a collar on any interest rate to be paid by the City on Variable Rate Bonds.

**“Qualified Swap Provider”** shall mean any counterparty with whom the City enters into a Qualified Swap Agreement where each Rating Agency (if such Rating Agency rates the unsecured obligations of the counterparty or its guarantor) has assigned to the unsecured obligations of the counterparty, or of the person who guarantees the obligation of the counterparty to make its payments to the City, as of the date the swap agreement is entered into, a rating that is within the two highest rating classifications established by such Rating Agency (without regard to interim gradations within a rating classification, such as plus or minus or any interim numerical gradations).

**“Rating Agency”** shall mean Moody’s, S&P or Fitch. “Rating Agency” also shall mean any nationally recognized securities rating organization other than Moody’s, S&P, or Fitch designated by the City by notice to the Trustee.

**“Rebate Account”** or **“Rebate Accounts”** shall mean the account or accounts of that name with respect to various Series of Bonds established in the General Ordinance.

**“Redemption Price”** shall mean, with respect to any Bond (or portion of any Bond), the price on any redemption date, exclusive of accrued and unpaid interest, at which the Bond (or portion of it) may or must be redeemed pursuant to the General Ordinance and the Series Ordinance to which the Bond was issued.

**“Refunded Bonds”** shall mean those portions, if any, of Outstanding Bonds (other than Series 2013 Bonds) to be refunded from the proceeds of the Series 2013 Bonds as identified in the Series 2013 Determination Certificate.

**“Reserve Fund Credit Instrument”** shall mean a non-cancelable insurance policy, a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the Trustee in lieu of or in partial substitution for cash or securities required to be on deposit in the Debt Service Reserve Fund. In the case of an insurance policy or surety bond, the company providing the policy or bond shall be an insurer which, at the time of the issuance of the policy or bond, has been assigned a credit rating which is within one of the two highest ratings accorded insurers by two Rating Agencies. In the case of a letter of credit, it shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of the issuance of the letter of credit, a credit rating on its long-term deposits within one of the two highest rating categories from two Rating Agencies. The insurance policy, surety bond or letter of credit shall grant to the Trustee the right to receive payment for the purposes for which the Debt Service Reserve Fund may be used and shall be irrevocable during its term.

**“Reserve Fund Credit Instrument Amount”** shall mean, with respect to any Reserve Fund Credit Instrument, at any date of determination, the amount available to pay principal, Redemption and Purchase Prices of and interest on the Bonds secured by such Reserve Fund Credit Instrument.

**“Reserve Requirement”** shall mean for all Series of Bonds, the amount, if any, provided in the Series Ordinance for such Series or in any Determination Certificate executed and delivered in connection with the issuance and delivery of such Series, which may be expressed as a dollar amount or as a formula pursuant to which a dollar amount may be calculated.

**“Revenues Test”** shall mean the “revenues test” for the issuance of Additional Bonds provided in the General Ordinance. The Revenues Test is met if, at the date the contract is made to sell such Additional Bonds, the total amount of the City’s Motor Fuel Tax Revenues which lawfully may be used for the purpose of paying Municipal Indebtedness, together with the total amount of any Additional City Revenues, shall equal or exceed two times the maximum annual debt service requirements for all Bonds (including the Additional Bonds) to be outstanding following the issuance of the Additional Bonds. For purposes of the Revenues Test, the amount of Motor Fuel Tax Revenues which lawfully may be used for the purpose of Municipal Indebtedness and Additional City Revenues shall be equal to the amount of such Revenues received by the Trustee in the immediately preceding 12-month period for which information is available, as certified by the Chief Financial Officer or the Comptroller. For purposes of the Revenues Test as applied to the TIFIA Bond, the “date the contract is made to sell the Additional Bonds” shall be the date of execution and delivery of the TIFIA Loan Agreement.

**“Riverwalk Expansion Project”** shall mean the project consisting of, among other things, the creation of a continuous promenade along the south bank of the Chicago River from Lake Shore Drive to Lake Street in order to provide a link between the Loop, the Lakefront and Navy Pier and to develop opportunities for enhanced transportation amenities.

**“S&P”** shall mean Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating organization designated by the City by notice to the Trustee.

**“Serial Bonds”** shall mean Bonds which mature in annual or semi-annual installments of principal (which need not be equal) and not pursuant to Sinking Fund Installments.

**“Series”** shall mean a series of Bonds authorized by a Series Ordinance.

**“Series Ordinance”** shall mean an ordinance of the City authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Ordinance.

**“Series 2003 Bonds”** shall mean the City’s Motor Fuel Tax Revenue Bonds, Series 2003A, authorized by the 2003 Series Ordinance.

**“Series 2008 Bonds”** shall mean, collectively, (i) the City’s Motor Fuel Tax Revenue Bonds, Project Series 2008A and (ii) the City’s Motor Fuel Tax Revenue Refunding Bonds, Taxable Series 2008B, authorized by the Series 2008 Bond Ordinance.

**“Series 2013 Bond Ordinance”** shall mean the Series Ordinance adopted by the City Council on March 13, 2013, pursuant to the General Ordinance authorizing the Series 2013 Bonds and the TIFIA Bond and amending the General Ordinance.

**“Series 2013 Bonds”** shall mean the City’s Motor Fuel Tax Revenue Bonds, Series 2013 (Issue of June 2014), authorized by the Series 2013 Bond Ordinance.

**“Series 2013 Determination Certificate”** shall mean the certificate of an Authorized Officer filed with the Office of the City Clerk addressed to the City Council, as provided in the Series 2013 Bond Ordinance.

**“Sinking Fund Installments”** shall mean, with respect to any date, the principal amount of Term Bonds of any Series which are required to be redeemed by the City on that date pursuant to and in the

amounts provided by the Series Ordinance for that Series, or which are required to be paid at maturity and not required previously to be redeemed.

**“Supplemental Ordinance”** shall mean an ordinance supplemented to the General Ordinance adopted by the City Council in accordance with the General Ordinance.

**“Swap Provider”** means any counterparty with whom the City enters into either a Qualified Swap Agreement, Qualified Option, Non-Qualified Swap Agreement or Non-Qualified Option.

**“Term Bonds”** shall mean Bonds payable pursuant to Sinking Fund Installments.

**“TIFIA Bond”** shall mean the City’s Motor Fuel Tax Revenue TIFIA Bond Wacker Drive Reconstruction Project (including the Chicago Riverwalk Expansion) (TIFIA-2013-1004A) authorized by the Series 2013 Bond Ordinance and issued by the City pursuant to the TIFIA Loan Agreement. The TIFIA Bond constitutes an Additional Bond for purposes of the General Ordinance and the Series 2013 Bond Ordinance.

**“TIFIA Determination Certificate”** shall mean the TIFIA Loan Agreement.

**“TIFIA Loan Agreement”** shall mean the loan agreement by and between the City and the United States Department of Transportation, relating to the Riverwalk Expansion Project and the TIFIA Bond.

**“TIFIA Reserve Requirement”** shall mean \$6,572,682 as established in the TIFIA Determination Certificate as the “Reserve Requirement” for the TIFIA Bond.

**“Treasurer”** shall mean the City Treasurer of the City.

**“Trustee”** shall mean Amalgamated Bank of Chicago, Chicago, Illinois, or its successor as trustee.

**“2003 Series Ordinance”** shall mean the Series Ordinance adopted by the City Council on March 5, 2003, pursuant to the General Ordinance authorizing the Series 2003 Bonds.

**“2008 Series Ordinance”** shall mean the Series Ordinance adopted by the City Council on September 27, 2007, pursuant to the General Ordinance authorizing the Series 2008 Bonds.

**“2013 Reserve Requirement”** shall mean the amount (which may be zero) established in the Series 2013 Determination Certificate as the “Reserve Requirement” for the Series 2013 Bonds.

**“Use of Motor Fuel Tax Funds Act”** shall mean 605 ILCS 5/7-202 *et seq.*, as amended.

**“Variable Rate Bonds”** means any Bonds the interest rate on which is not established at the time of issuance thereof at a single numerical rate for the entire term of the Bonds.

#### **General Ordinance Constitutes a Contract**

In consideration of the purchase and acceptance of Bonds by their Holders from time to time, the provisions of the General Ordinance and any Supplemental Ordinance shall be a part of the contract of the City with the Holders of the Bonds and shall be deemed to constitute a contract among the City, the Trustee and the Holders from time to time of the Bonds.

### **Custody and Application of Bond Proceeds**

The General Ordinance authorizes the issuance of the Bonds for any one or more Project Purposes.

*Project Fund.* The General Ordinance establishes a Project Fund as a separate and distinct fund to be used as provided in the General Ordinance and in any Series Ordinances authorizing the issuance of Bonds. All proceeds of any Series of Bonds designated by the Series Ordinance authorizing the issuance of that Series of Bonds to be used for Project Purposes may be deposited in the Project Fund. The City may, in the Series Ordinance authorizing any such Series of Bonds, provide for the creation of separate and distinct Accounts within the Project Fund, to be used as provided in the Series Ordinance. All moneys deposited in the Project Fund shall be held by the City or the Trustee as shall be directed by the Series Ordinance and shall be disbursed as provided in the Series Ordinance. The Series 2013 Bond Ordinance establishes the Series 2013 Project Account to be held by the City and used to pay costs of Project Purposes, to pay Costs of Issuance of the TIFIA Bond and the Series 2013 Bonds, and to make a deposit to the TIFIA Debt Service Reserve Account. Amounts, if any, remaining in the Series 2013 Project Account not needed to pay those costs shall be transferred, either to the Series 2013 Debt Service Reserve Account or, if such account is fully funded, at the direction of the City either to the Series 2013 Bonds Account in the Debt Service Fund or to any other Account in the Debt Service Fund. All interest and other investment income earned on the Project Fund shall be deposited in the Project Fund (to the credit of the Accounts within the Project Fund, if any, on the basis of their contribution to the cost of the relevant investment). Proceeds of the Series 2013 Bonds will be applied as described under the caption "APPLICATION OF SERIES 2013 BOND PROCEEDS" in this Official Statement.

*Additional Funds.* The City may, in the Series Ordinance authorizing the issuance of any Series of Bonds, establish additional Funds to be held, invested and disbursed by the Trustee as provided in the Series Ordinance.

### **Establishment of Motor Fuel Tax Revenue Fund and any Revenue Fund for Additional City Revenues**

#### **A. Motor Fuel Tax Revenue Fund**

The General Ordinance establishes a Motor Fuel Tax Revenue Fund as a separate and distinct fund to be maintained by the Trustee. While any Bonds are Outstanding, the General Ordinance requires the City to pay to the Trustee for deposit in the Motor Fuel Tax Revenue Fund all Motor Fuel Tax Revenues received by the City. Upon receipt of any amounts paid or deposited in the Motor Fuel Tax Revenue Fund, the Trustee will determine the percentage of such amount which lawfully may not be used to pay Municipal Indebtedness. This determination will be made solely on the basis of the most recent City certificate identifying that percentage delivered by the City to the Trustee as required by the General Ordinance. The Trustee shall pay to the City, or upon the City's direction, an amount of Motor Fuel Tax Revenues equal to the percentage which lawfully may not be used for the purpose of payment of Municipal Indebtedness. If for any month there shall not be sufficient Additional City Revenues to make the required deposits in full to the Accounts in the Debt Service Fund and the Debt Service Reserve Fund, the Trustee shall deposit in the Debt Service Fund all amounts in the Motor Fuel Tax Revenue Fund which are lawfully available for the payment of Municipal Indebtedness. If for any month there shall be sufficient Additional City Revenues to make the required deposits in full to the Accounts in the Debt Service Fund and the Debt Service Reserve Fund, the Trustee shall pay such amounts in the Motor Fuel Tax Revenue Fund which are lawfully available for the payment of Municipal Indebtedness to the City or upon the City's direction.



## B. Additional City Revenue Fund

The General Ordinance establishes an Additional City Revenue Fund as a separate and distinct fund to be maintained by the Trustee. Once Additional City Revenues are pledged in a Series Ordinance to the payment of Bonds, the Bonds shall be paid first from such Additional City Revenues and then from Motor Fuel Tax Revenues which may lawfully be used for the purpose of payment of Municipal Indebtedness. The City shall pay such Additional City Revenues (as defined in such Series Ordinance) to the Trustee for deposit in the Additional City Revenue Fund. Once Additional City Revenues are pledged in a Series Ordinance, such pledge shall remain in effect for such time period as set forth in such Series Ordinance. Upon receipt of any Additional City Revenues deposited in the Additional City Revenue Fund, the Trustee shall deposit monthly such amounts in the Debt Service Fund as provided in the General Ordinance.

### **Establishment of Debt Service Fund**

The General Ordinance establishes the Debt Service Fund as a separate and distinct fund, to be maintained by the Trustee in trust for the Holders from time to time of the Bonds, and invested and used, all as provided by the General Ordinance. This trust shall be irrevocable so long as any of the Bonds are outstanding. Amounts in the Additional City Revenue Fund shall be deposited by the Trustee in the Debt Service Fund. To the extent that amounts in the Additional City Revenue Fund shall not be sufficient to make the required deposits in the Accounts in the Debt Service Fund and in the Debt Service Reserve Fund as provided in the General Ordinance, an amount of receipts of Motor Fuel Tax Revenues which lawfully may be used to pay Municipal Indebtedness must be deposited in the Debt Service Fund to the extent necessary to remedy such deficiency as required by the General Ordinance and shall be used only as provided in the General Ordinance and any Series Ordinance.

The General Ordinance provides that the City shall, in each Series Ordinance, provide for the establishment of separate Accounts within the Debt Service Fund relating to particular Series of Bonds. The creation of separate Accounts in the Debt Service Fund shall not create any preference of one Series of Bonds over another Series, except that amounts required to be deposited in one Account secure and shall be used for only the Bonds with respect to which the Account is established. The deposits to be made to the various Accounts shall be made each month proportionately on the basis of the amounts required to be deposited in each Account. Investments of those Accounts may be commingled, except with respect to Rebate Accounts as provided in the General Ordinance.

The Series 2013 Bond Ordinance establishes two separate accounts in the Debt Service Fund, a Series 2013 Bonds Account (the "*Series 2013 Bonds Account*") and Series 2013 Rebate Account (the "*Series 2013 Rebate Account*"), each to relate solely to the Series 2013 Bonds and establishes a TIFIA Bonds Account (the "*TIFIA Bonds Account*") to relate solely to the TIFIA Bond. The Series 2013 Bonds Account shall be used to pay the principal of, the Redemption Price of and the interest on the Series 2013 Bonds, all pursuant to the General Ordinance and the Series 2013 Bond Ordinance. The TIFIA Bonds Account shall be used to pay the principal and Redemption Price of and the interest on the TIFIA Bond, all pursuant to the General Ordinance, the Series 2013 Bond Ordinance and the TIFIA Loan Agreement.

In each Series Ordinance establishing an Account in the Debt Service Fund, the City shall provide a monthly deposit requirement with respect to such Account (other than the Rebate Account). The monthly deposit requirement may be expressed in absolute dollar terms or as a formula, but shall provide for the deposit of amounts sufficient to pay the principal, Redemption and Purchase Prices of, and interest on the Bonds of the relevant Series as those amounts come due. With respect to Bonds for which a purchase, redemption or other requirement is provided to be paid through a Credit Support Instrument, the Series Ordinance need not set forth specific deposit requirements in respect of those amounts, but the City

shall make, in any event, deposits in the Debt Service Fund sufficient to meet all obligations of the City with respect to those requirements. In such case, deposits in respect of principal shall be based on scheduled principal payments at maturity or pursuant to Sinking Fund Installments and not based on purchase, redemption or similar requirements provided to be paid through the Credit Support Instrument.

The monthly deposit requirements with respect to each Series of Bonds shall not be less than the following amounts:

(a) The amount in respect of interest shall not be less than the product of the interest coming due on the next interest payment date on that Series and a fraction, the numerator of which is one and the denominator of which is the number of months less one from the preceding interest payment date on that Series to the next interest payment date (*provided, however*, that the denominator shall not be less than one), or, in respect of interest on the first interest payment date, from the date of the Series of Bonds to that next interest payment date, until the full amount of that interest on the next interest payment date is on deposit. The deposit requirements in respect of interest may be reduced (including to zero) to the extent that amounts specified in a Series Ordinance were previously deposited in the Debt Service Fund to the credit of the Account in that Fund. With respect to Bonds which will bear interest at variable rates, the monthly deposit requirements in respect of interest shall be calculated as provided in the Series Ordinance for such Bonds.

(b) The amount in respect of principal, except for the first principal payment date for a Series, shall not be less than the product of the principal coming due (whether at maturity or pursuant to Sinking Fund Installments) on the next such principal payment date and a fraction, the numerator of which is one and the denominator of which is the number of months less one from the preceding principal payment date to the next principal payment date (*provided*, that the denominator shall not be less than one), until the full amount of that principal on the next principal payment date is on deposit. The amount in respect of principal on the first principal payment date shall be the amount specified in the Series Ordinance for that Series, which shall be sufficient so that the full amount of that principal shall have been provided to have been deposited (based on dates for deposit of Motor Fuel Tax Revenues and Additional City Revenues, if any, as anticipated by the City) not less than 20 days prior to that principal payment date.

The Series 2013 Bond Ordinance establishes the following monthly deposit requirements of the City for the Series 2013 Bonds in the Series 2013 Bonds Account:

- (i) For each month prior to January 1, 2015, the monthly deposit requirement for interest is not less than the interest coming due on January 1, 2015 (minus the amount of accrued interest deposited in the Debt Service Fund upon the issuance and delivery of the Series 2013 Bonds) multiplied by a fraction, the numerator of which is one and the denominator of which is the number of full calendar months between the date of delivery of the Series 2013 Bonds and January 1, 2015 minus one (*provided*, that the denominator may not be less than one), until the full amount of the interest payment due on January 1, 2015 is on deposit. For each month beginning with January 1, 2015, the monthly deposit requirement for interest is one-fifth of the interest coming due on the next interest payment date until the full amount of that interest payment requirement is on deposit; and
- (ii) For each month beginning on the first day of the month in which the first principal or mandatory sinking fund payment date occurs, the monthly deposit requirement for principal is one-eleventh of the principal coming due on the next principal or mandatory

sinking fund payment date until the full amount of the next principal or mandatory sinking fund payment is on deposit.

There shall be deposited in the Debt Service Fund to the credit of the Rebate Accounts, after there are no deficiencies in any of the other Accounts in the Debt Service Fund or the Debt Service Reserve Fund, the amounts as shall be required to be held available for rebate to the United States of America with respect to each Series of Bonds. The amount deposited, invested and disbursed shall be determined in accordance with the general tax certificate to be delivered by the City in connection with the issuance of the Series 2013 Bonds and in accordance with the General Ordinance.

In any period in which there is any deficiency in any Account in the Debt Service Fund, the amount of the deficiency shall be added to and be a part of the monthly deposit requirement for such Account for that and all succeeding periods until there no longer remains any such deficiency.

In any month after all of the required deposits and credits to all Accounts in the Debt Service Fund have been made (other than the Rebate Accounts) and there is no deficiency in any of the Accounts (other than the Rebate Accounts), the Trustee shall pay from the Debt Service Fund proportionately to the Accounts in the Debt Service Reserve Fund any remaining amounts in the Debt Service Fund until the value of each Account in the Debt Service Reserve Fund shall equal the Reserve Requirement for such Account, and then shall credit to the Rebate Accounts proportionately until there are no deficiencies in any such Accounts, and then shall pay any remaining amounts in the Debt Service Fund to the City, or upon the City's direction.

If in any month the required deposits and credits are not made to each of the Debt Service Fund and the Debt Service Reserve Fund and all Accounts in them, the City may make up such deficiency. The Trustee shall credit and deposit any funds received from the City as provided in this paragraph *first* to the Debt Service Fund Accounts other than the Rebate Accounts, proportionately on the basis of the deficiency in each such Account, *then* to the Debt Service Reserve Fund Accounts proportionately on the basis of the deficiency in each such Account, and *then* proportionately to the Rebate Accounts.

If in any month the required deposits and credits are not made to each of the Debt Service Fund and the Debt Service Reserve Fund and all Accounts in them by the last date of the month in which Motor Fuel Tax Revenues are normally received by the City, and in any event by the 25th day of the month, the General Ordinance requires the Trustee to so notify the City and the City, whether or not it receives such notice, is required to make all required deposits as described in the second immediately preceding paragraph.

#### **Use and Withdrawal of Money from the Accounts in the Debt Service Fund**

From the amounts deposited in or credited to the Accounts in the Debt Service Fund, the Trustee shall pay first out of the Account (other than the Rebate Account) and then out of the Rebate Account, in each case pertaining to each Series of Bonds, to the Paying Agent for that Series of Bonds (or, if there is no Paying Agent for such Series, directly to the Holders of such Series of Bonds), on the business day preceding each interest payment date or principal payment date (whether at maturity or pursuant to Sinking Fund Installments), or mandatory redemption date or date of required purchase not being made through a Credit Support Instrument, an amount equal to the principal, Redemption and Purchase Prices of and interest on the Series of Bonds coming due on the following business day. In lieu of making such payments to a Paying Agent, the Trustee at the direction of the Comptroller or other Authorized Officer, and with the approval of the Paying Agent, may on that prior business day deposit Investment Obligations maturing on the day of payment sufficient for that payment.

The Trustee shall use, upon the written direction of the Treasurer or other Authorized Officer of the City, amounts in any Account in the Debt Service Fund, other than a Rebate Account, to purchase or redeem Bonds of the Series to which such Account pertains at a price, in the case of purchase, not in excess of the principal amount (or Compound Accreted Value with respect to Bonds sold at a discount in excess of two percent) plus accrued interest to the date of purchase or, in the case of redemption, at the Redemption Price; *provided*, that amounts in an Account may be so used only if after any purchase or redemption there shall remain on deposit in such Account an amount equal to the amount which would have been required to have been deposited had the purchased or redeemed Bonds never been Outstanding. The principal amount of the Bonds so purchased or redeemed shall be applied against the Sinking Fund Installments for the Series of Bonds purchased or redeemed as provided in the Series Ordinance.

Amounts in Rebate Accounts shall be used at the direction of an Authorized Officer to make rebate payments to the United States of America. Amounts in a Rebate Account in excess of the amount which the City shall determine is needed for making rebates shall be used first to make up any deficiencies in the Debt Service Fund and the Debt Service Reserve Fund, and then shall be paid to the City.

#### **Debt Service Reserve Fund**

The General Ordinance establishes the Debt Service Reserve Fund as a separate and distinct fund to be maintained by the Trustee. The City may, in any Series Ordinance, provide for the establishment of separate Accounts within the Debt Service Reserve Fund relating to particular Series of Bonds. Amounts on deposit in the respective Debt Service Reserve Fund Account shall be transferred by the Trustee to the credit of the respective Debt Service Fund Account at the time and in the amounts required in order to pay principal of the Bonds secured by such Debt Service Reserve Fund Account at maturity or on Sinking Fund Installment or purchase dates and to pay interest on such Bonds as it falls due, if there are insufficient amounts in the Debt Service Fund Account for that purpose. The creation of separate Accounts in the Debt Service Reserve Fund for particular Series of Bonds does not create any preference of one Series of Bonds over any other Series, except that amounts required to be deposited in any Account of the Debt Service Reserve Fund shall secure and shall be used only for the Bonds with respect to which the Account is established. Transfers or deposits to be made to the various Accounts shall be made proportionately on the basis of the amount of the deficiency in each Account prior to any such transfer or deposit. The investments and deposits of any of the various Accounts in the Debt Service Reserve Fund may be commingled with any other of those Accounts.

#### **A Reserve Requirement in the amount of \$0 has been established for the Series 2013 Bonds.**

In connection with the issuance of any Series of Bonds, the General Ordinance requires an amount, if any, to be deposited in the respective Debt Service Reserve Fund Account securing such Series of Bonds so that the value of the Debt Service Reserve Fund Account at least equals the Reserve Requirement for such Account calculated immediately after the delivery of such Series of Bonds. Each month, the Trustee is required to pay to and deposit in each Debt Service Reserve Fund Account, if the amount on deposit is less than the Reserve Requirement for such Account, all amounts in the Debt Service Fund in excess of the amounts required to be on deposit in the Debt Service Fund. If in any month all required deposits and credits have not been made to all the Debt Service Fund Accounts (other than the Rebate Accounts) and any transfers from the Debt Service Fund to the Debt Service Reserve Fund have not been made (as described in the preceding sentence) and on the last date in the month in which the Motor Fuel Tax Revenues are normally received by the City, and in any event by the 25th day of the month, the value of any Account in the Debt Service Reserve Fund is less than the Reserve Requirement for such Account, the City may deposit with the Trustee an amount sufficient to make up the deficiency.

On January 1 of each year, and also on each date that any Reserve Fund Credit Instrument is deposited with the Trustee or as soon after those dates as feasible, the Trustee shall pay to and deposit in the Debt Service Fund proportionately to the credit of the various Accounts with respect to the various Series of Bonds all amounts in any Debt Service Reserve Fund Account to the extent the value of the Debt Service Reserve Fund Account is in excess of the Reserve Requirement for such Account. In addition, on each date that the City issues Additional Bonds in order to refund all or a portion of any Series of Bonds, the Trustee shall pay at the direction of the City all amounts in the Debt Service Reserve Fund Account with respect to the refunded Series of Bonds to the extent that the value of that Debt Service Reserve Fund Account is in excess of the Reserve Requirement for such Account.

The Trustee annually shall determine on or about the final day of the Bond Year whether the total amount in the Debt Service Reserve Fund, together with all amounts in the Debt Service Fund (other than in Rebate Accounts), will be sufficient to pay or to redeem or to provide for the payment or redemption of all Outstanding Bonds, in which case the Trustee shall pay to and deposit in the Debt Service Fund to the credit of the various Accounts with respect to the various Series of Bonds (other than the Rebate Accounts) such remaining amounts in the Debt Service Reserve Fund.

All or any part of the Reserve Requirement may be met by deposit with the Trustee of a Reserve Fund Credit Instrument. A Reserve Fund Credit Instrument shall, for purposes of determining the value of a Debt Service Reserve Fund Account, be valued at the Reserve Fund Credit Instrument Amount for that Reserve Fund Credit Instrument, except as provided in the next two sentences. If a Reserve Fund Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Bonds secured by the Debt Service Reserve Fund Account, then the Reserve Fund Credit Instrument Amount of that Instrument shall be reduced by the amount provided in the next sentence. The amount of the reduction shall be the amount, if any, by which the value of the Debt Service Reserve Fund Account, not counting the Reserve Fund Credit Instrument Amount of that Instrument, is less than the Reserve Requirement for such Account after the first day that the Reserve Fund Credit Instrument is so to terminate (or is subject to termination); *provided*, that if the Series Ordinance with respect to such Bonds requires deposits to be made in the Debt Service Reserve Fund Account equal in each year starting not less than three years prior to the termination date of not less than one-third the original Reserve Fund Credit Instrument Amount of the Instrument, until such deposits shall equal the amount of that original Amount, then the reduction shall be only by that amount from time to time that deposits have so been required to have been made in the Debt Service Reserve Fund Account; and provided, further, if by the terms of the Reserve Fund Credit Instrument and the terms of the related Series Ordinance, the Trustee has the right and duty to draw upon the Reserve Fund Credit Instrument prior to its termination for deposit in the Debt Service Reserve Fund Account all or part of its Amount, then the reduction shall be only by that amount as the Trustee shall not have the right and duty so to draw.

#### **Security for Deposits and Investment of Funds**

The General Ordinance provides that all moneys held under the General Ordinance by the Trustee shall be continuously and fully secured for the benefit of the City and the Holders of the Bonds, as their respective interests may appear, by Investment Obligations of a market value at least equal at all times to the amount of the deposit so held by the Trustee. However, the Trustee need not give security for such amount of moneys as is insured by federal deposit insurance, or for any moneys which shall be represented by Investment Obligations, and any Paying Agent need not give security for the deposit of any moneys held by it in trust for the Holders of Bonds.

The General Ordinance provides that, upon direction of an Authorized Officer, moneys in the Funds and Accounts established by the General Ordinance shall be invested by the Trustee in Investment Obligations so that the maturity date or date of redemption at the option of the holder of such Investment

Obligations shall coincide, as nearly as practicable, with the times at which moneys in the Funds and Accounts will be required for the purposes provided in the General Ordinance, *provided* that such maturity date or redemption date shall be on or prior to the times at which such money will be so required.

Moneys in the Debt Service Reserve Fund shall be invested by the Trustee, upon direction of an Authorized Officer, in Investment Obligations the maximum maturity of which shall not be more than 10 years from the date of such investment; *provided*, that at least 25 percent of the moneys in each Account of the Debt Service Reserve Fund shall from time to time be invested in Investment Obligations the average maturity of which shall not be more than two years from the date of any investment. A Reserve Fund Credit Instrument shall be treated as an investment in an Investment Obligation of a maturity equal to the number of days of advance notice which must be given in order to obtain payments on it.

In computing the value of any Fund or Account held by the Trustee under the provisions of the General Ordinance, obligations shall be valued at the lower of cost or market price, exclusive of accrued interest, except that with respect to the Debt Service Reserve Fund, obligations shall be valued at par or, if purchased at less than par, at their cost to the City.

#### **No Inconsistent Security Interests**

In the General Ordinance, the City covenanted that it will not secure any obligation other than Bonds with a pledge of, nor shall it create or suffer to exist a lien on or security interest in, nor shall it assign, any Motor Fuel Tax Revenues or Additional City Revenues in such a way that the claims for those other obligations on the Motor Fuel Tax Revenues or Additional City Revenues will be senior to or on a parity with the claims of the Holders of the Bonds, but only in such a manner as would cause such claims for such other obligations to be junior and subordinate to the claims of the Holders of Bonds to such amounts.

#### **Additional Bonds**

1. Under the provisions of the General Ordinance, the City covenanted with the Holders from time to time of all Bonds that it will not issue any Additional Bonds except as described below.
2. The City may issue at any time Additional Bonds for any one or more Project Purposes if there is no default in payment of Bonds or in making all required deposits to the Debt Service Fund, if upon the issuance of the Additional Bonds the value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account and if the Revenues Test is met.
3. For purposes of the Revenues Test, maximum annual debt service requirements shall be the maximum amount required to be deposited in the Debt Service Fund in the Fiscal Year of the calculation or any subsequent Fiscal Year. With respect to Variable Rate Bonds, the deposits for purposes of the Revenues Test shall be calculated in respect of interest as if the Bonds would bear interest at the lower of (i) the maximum rate which those Bonds may bear pursuant to law or (ii) the rate set forth in the applicable Series Ordinance; provided, that if and so long as a Qualified Swap Agreement or a Non-Qualified Swap Agreement is in effect with respect to such Variable Rate Bonds, the interest component of annual debt service requirements shall be computed by reference to the provisions of the General Ordinance summarized under the heading "Hedging Transactions" below. With respect to Bonds for which there is a purchase, mandatory redemption or similar requirement which is provided to be paid through a Credit Support Instrument, the deposits shall be calculated in respect of principal on the basis of scheduled payments of principal (at maturity or pursuant to Sinking Funds Installments) and not pursuant to the purchase, redemption or similar requirements provided so to be paid through such an Instrument.

With respect to Bonds for which the proceeds thereof are disbursed by such Bondholders over a period of time and which accrue interest on the outstanding balance as such disbursements are made to the City, the Annual Debt Service Requirements shall be computed based on an assumed full disbursement of all Bond proceeds as of the date of issuance of such Bonds.

4. Notwithstanding paragraphs (1) and (2) above, the City may issue Additional Bonds to pay, redeem, purchase or refund Bonds if in the judgment of the City no money will be available to pay interest on or principal of those Bonds (at maturity or on Sinking Fund Installment dates or pursuant to other mandatory redemption or purchase obligations) as such amounts come due.

5. In addition to Additional Bonds that may be issued pursuant to paragraphs (2) and (4) above, the City may issue Additional Bonds to pay, purchase, redeem or refund any Bonds if the total amount of the required deposits in the Debt Service Fund with respect to all Bonds after the issuance of the Additional Bonds will not be in excess of the required deposits in such Fund for all Bonds Outstanding prior to the issuance of those Additional Bonds in each Fiscal Year in which any of those Bonds Outstanding prior to the issuance are to remain Outstanding.

#### **Certification by City of Percentage of Motor Fuel Tax Revenues Lawfully Available for Debt Service**

The City covenanted in the General Ordinance that it will certify to the Trustee, not later than 30 days prior to the beginning of each Fiscal Year in which Bonds are Outstanding, the percentage, if any, of Motor Fuel Tax Revenues received by the City in each Fiscal Year which may not be lawfully used for the purpose of payment of Municipal Indebtedness. The City will also certify to the Trustee, not later than 30 days subsequent to any event, including the adoption of amendatory legislation, which revises the percentage of Motor Fuel Tax Revenues which may not be lawfully used for the purpose of payment of Municipal Indebtedness.

#### **Series 2013 Bond Ordinance Constitutes a Continuing Appropriation**

The Series 2013 Bond Ordinance provides that it shall constitute an appropriation by the City of all Motor Fuel Tax Revenues to be applied, as provided in the General Ordinance and the Series 2013 Bond Ordinance, for the payment when due of principal and Redemption Price of, and interest on, the Series 2013 Bonds, and principal of and interest on the TIFIA Bond, and all amounts payable in connection with the agreements and instruments executed by the City in connection therewith (including the TIFA Loan Agreement and any subordinate payment obligation thereunder), as such amounts come due.

The Series 2013 Bond Ordinance provides that it shall constitute an appropriation by the City of the Project Revenues to be applied as provided in the General Ordinance and the Series 2013 Bond Ordinance for the payment of all installments of principal and Redemption Price of, Purchase Price of, and interest on, the Bonds Outstanding as of the date of publication of the Series 2013 Bond Ordinance, the Series 2013 Bonds, and principal of and interest on the TIFIA Bond, and all amounts payable in connection with the agreements and instruments executed by the City in connection therewith (including the TIFA Loan Agreement and any subordinate payment obligation thereunder), as such amounts come due.

#### **Additional Covenants**

Under the provisions of the General Ordinance, the City covenanted with the Trustee and the Holders from time to time of all Bonds that it will comply with, observe and perform the following additional covenants:

1. The City will take all reasonable steps to obtain from the Treasurer of the State of Illinois in a timely fashion all amounts of Motor Fuel Tax Revenues which it is entitled to receive under the Motor Fuel Tax Law.
2. The City will expend Motor Fuel Tax Revenues solely as authorized by the General Ordinance and the Use of Motor Fuel Tax Funds Act (or such other law relating to the expenditure of Motor Fuel Tax Revenues as may be in effect from time to time).
3. The City will take all necessary steps to pay any Motor Fuel Tax Revenues and Additional City Revenues received or held by the City to the Trustee, if such Additional City Revenues are pledged pursuant to any Series Ordinance.

### **The Trustee**

The General Ordinance provides for the appointment of the Trustee and for the Trustee's duties and responsibilities. Generally, the Trustee is not under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of its duties and obligations under the General Ordinance, or to advance any of its own moneys, unless it is properly indemnified to its reasonable satisfaction. Subject to the provisions of the following sentence, the Trustee has undertaken to perform such duties and only such duties as are specifically set forth in the General Ordinance and any Series Ordinance and is not liable in connection with the performance of its duties under the General Ordinance except for its own negligence, default or breach of trust. However, if an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by the General Ordinance, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Trustee may consult with counsel of recognized competency and shall be fully and completely authorized and protected in respect of any action taken by it in good faith and in accordance with the opinion or advice of such counsel.

### **Defaults and Remedies of Holders**

The General Ordinance provides that if the City defaults in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Ordinance, any Series Ordinance or in the Bonds, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than 51 percent in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of those Bonds under the General Ordinance by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the General Ordinance, or in aid of the execution of any power granted in the General Ordinance or any Series Ordinance or for a writ of mandamus, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the General Ordinance.

The Holders of a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee is advised by counsel that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Holders not parties to such direction.

Upon commencing judicial proceedings by the Trustee to enforce any right under the General Ordinance or any Series Ordinance, the Trustee shall be entitled to exercise any and all rights and powers



conferred in the General Ordinance and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the General Ordinance or any Series Ordinance by any acts which may be unlawful or in violation of the General Ordinance or any Series Ordinance, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interest and the interests of the Holders of the Bonds, including, without limitation, steps with regard to any Credit Support Instrument.

Upon the happening and continuance of an Event of Default, upon the demand of the Trustee, the City shall cause to be paid over to the Trustee all Additional City Revenues and all Motor Fuel Tax Revenues which may lawfully be used for the purpose of payment of Municipal Indebtedness available to the City and which are needed for that purpose. The Trustee shall apply all Additional City Revenues received by the Trustee and all Motor Fuel Tax Revenues to pay *first*, the expenses of the Trustee and any Paying Agents, *second*, interest due on the Bonds, and *third*, principal due on the Bonds.

For purposes of these paragraphs describing remedies, the principal amount of any Bond issued at an original issue discount of more than two percent of its face amount shall be its Compound Accreted Value.

#### **Modification of the General Ordinance**

The General Ordinance permits the City, by Supplemental Ordinance, to modify or amend the General Ordinance or any Series Ordinance without the consent of the Holders of Bonds in order to further secure or provide for payment of Bonds, to impose further limitations upon issuance of Bonds and incurring of obligations by the City, to surrender rights of the City under the General Ordinance, to confirm as further assurance any covenant, pledge, assignment, lien or security interest in the General Ordinance, to take any further action necessary or desirable for collection and application of moneys sufficient to pay the Bonds when due and, with the consent of the Trustee, to correct ambiguities, defects or inconsistent provisions in the General Ordinance or any Series Ordinance.

Other than as described above, the General Ordinance may not be amended except with the consent of the Holders of 66-2/3 percent in principal amount of all the Bonds then Outstanding (other than Bonds of a Series which is unaffected by such modification or amendment) by written instrument. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the City to pay the principal of, Redemption or Purchase Price, if any, of or interest on any Bond at the time and place and at the rate and in the currency provided in such Bond without the express consent of the Holder of such Bond, nor permit the preference or priority of any Bond over any other Bond, nor reduce the percentages of Bonds required for the written consent to an amendment or modification, nor modify any of the rights or obligations of the Trustee or any Paying Agent at the time acting pursuant to the General Ordinance, without the written assent of such agent. For purposes of this paragraph, the principal amount of any Bond issued at an original issue discount of more than two percent of its face amount shall be its Compound Accreted Value.

#### **Maintenance of Bond Insurance, Credit Support Instruments and Reserve Fund Credit Instruments**

The City shall enforce or cause to be enforced, as provided under the General Ordinance, the provisions of each policy of bond insurance insuring the payment of principal of and interest on any

Bonds, each Credit Support Instrument and each Reserve Fund Credit Instrument. The City shall, as provided under the General Ordinance, duly perform its covenants and agreements pertaining to such policies or Instruments so that the same shall remain in full force and effect during its term or as provided in a Series Ordinance. The City shall not consent, agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with such bond insurance policy, Credit Support Instrument or Reserve Fund Credit Instrument which would in any manner materially impair or materially adversely affect the rights of the City or the Trustee under such bond insurance policy, Credit Support Instrument or Reserve Fund Credit Instrument, or the rights or security of the Holders of the Bonds.

### **Defeasance**

If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds then Outstanding the principal and interest and Redemption Price, if any, to become due on the Bonds, at the times and in the manner stipulated in the Bonds, the General Ordinance and the Series Ordinances, then and in that event the covenants, agreements and other obligations of the City to the Holders of the Bonds shall be discharged and satisfied.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or any Paying Agents (through deposit by the City of funds for such payment or redemption or otherwise), whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any Series shall, prior to their maturity or redemption date, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) there shall have been deposited with such Trustee or Paying Agents either moneys in an amount which shall be sufficient, or Government Obligations the principal of and interest on which when due will provide moneys which, when added to the moneys, if any, deposited with such Trustee or Paying Agents at the same time, shall be sufficient (as evidenced by an Accountant's Certificate) to pay the principal or Redemption Price, if applicable, and interest due and to become due on those Bonds on and prior to the redemption date or maturity date (or Sinking Fund Installment dates for Term Bonds) thereof, as the case may be and (b) in case any of the Bonds are to be redeemed on any date prior to their maturity, the City shall have given the Trustee irrevocable instructions to give notice of redemption of such Bonds as provided in the General Ordinance. Neither Government Obligations, nor moneys deposited with the Trustee as described in these paragraphs concerning defeasance, nor principal or interest payments of any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on those Bonds. With respect to Bonds for which there are purchase or similar obligations of the City or redemption provisions other than pursuant to Sinking Fund Installments or to the option of the City, the Series Ordinance shall prescribe the extent to which and the manner in which this paragraph shall be applicable to those obligations.

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**APPENDIX B**

**CITY OF CHICAGO**

**RETIREMENT FUNDS**

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## RETIREMENT FUNDS

### General

Pursuant to the Illinois Pension Code, as revised from time to time (the “*Pension Code*”), the City contributes to four retirement funds, which provide benefits upon retirement, death or disability to employees and beneficiaries. Such retirement funds are, in order from largest to smallest membership: (i) the Municipal Employees’ Annuity and Benefit Fund of Chicago (“*MEABF*”); (ii) the Policemen’s Annuity and Benefit Fund of Chicago (“*PABF*”); (iii) the Firemen’s Annuity and Benefit Fund of Chicago (“*FABF*”); and (iv) the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (“*LABF*” and, together with MEABF, PABF and FABF, the “*Retirement Funds*”).

The Retirement Funds are established, administered and financed under the Pension Code, as separate bodies politic and corporate and for the benefit of the employees of the City and their beneficiaries. The City’s contributions to the Retirement Funds, and benefits for annuitants of the Retirement Funds, are governed by the provisions of the Pension Code. See “—Determination of City’s Contributions” below. This Appendix describes, among other things, the current provisions of the Pension Code applicable to the City’s funding of the Retirement Funds. No assurance can be made that the Pension Code will not be amended in the future.

The Retirement Funds have been actuarially determined to be significantly underfunded. The unfunded liabilities have increased in recent years, and actuaries for MEABF and LABF indicate that, under current law, the unfunded liabilities of those Retirement Funds will continue to increase for the foreseeable future and jeopardize the solvency of MEABF and LABF. See “—Funded Status of the Retirement Funds” and “—Projection of Funded Status” below. The General Assembly has passed SB 1922, which is defined and described herein, and which, if enacted into law, would significantly increase the City’s contributions to MEABF and LABF and make other adjustments that will cause the unfunded liabilities of MEABF and LABF to decrease in the future. Although the actuaries for PABF and FABF project that the unfunded liabilities of those Retirement Funds will decrease in the future, such a decrease is expected to result from significantly increased City contributions to those Retirement Funds as a result of the enactment of P.A. 96-1495, which is described and defined herein. The increases in the City’s contributions to PABF and FABF mandated by P.A. 96-1495 are expected to substantially burden the City’s financial condition. Taken together with the increase in City contributions under SB 1922 (if SB 1922 is enacted into law), the burden on the City’s financial condition is expected to be even greater.

In 2010, the Illinois General Assembly enacted legislation to address the pension benefits of members who joined the Retirement Funds on or after January 1, 2011. See “—Legislative Changes” below. While this legislation is expected to reduce the Retirement Funds’ liabilities over time, it is not expected to materially reduce such liabilities in the near future. The impact of this legislation is already reflected in the projections contained in this Appendix.

With respect to the unfunded liabilities associated with members who joined the Retirement Funds before January 1, 2011, the only significant action enacted to date has been the enactment of P.A. 96-1495 which, among other things, significantly increased future contributions to be made by the City to PABF and FABF. See “—Determination of City’s Contributions—City’s Required Contributions to PABF and FABF Beginning with the Levy made in 2015” below. P.A. 96-1495 has been projected to require an increase in the City’s contributions to PABF and FABF by more than \$584,000,000, or 200%, starting in 2016 and increasing by approximately three percent each year thereafter. See “TABLE 13—PROJECTION OF FUTURE FUNDING STATUS—FABF” and “TABLE 14—PROJECTION OF FUTURE FUNDING STATUS—PABF” below. Given the substantial burden these increased

contributions would place on the City's financial condition, the City is exploring options which would reduce the near-term burden of such increased contributions.

As discussed under "—Pension Reform" below, the City believes that reductions in the benefits provided by each of the Retirement Funds are necessary, in combination with any increases in employer and employee contributions, to adequately address the unfunded liabilities of the Retirement Funds. Any such modifications would require action by the Illinois General Assembly to modify the Pension Code. No assurance can be given that any proposal to modify benefits will be enacted. Furthermore, given the Illinois Pension Clause (defined below) of the Illinois Constitution, no assurance can be given that legislation to modify benefits, if enacted, will be upheld upon a legal challenge. See "—Background Information Regarding the Retirement Funds—General" below.

The Retirement Funds' sources of funding are the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's and employees' contribution levels are determined pursuant to the Pension Code. There is no mechanism in the Pension Code by which the funding can self-adjust, because contributions are not affected by a change in benefits, assets or investments, but only by a change in current payroll, as described in "—Determination of City's Contributions" below. However, the P.A. 96-1495 Funding Plan (as hereinafter defined) and, if enacted into law, the SB 1922 Funding Plan (as hereinafter defined) calculate the City's contributions on an actuarial basis, which will cause such contributions to adjust based on benefits, assets and investments.

The financial health of the Retirement Funds and the projected impact of the Retirement Funds' underfunding on future contributions to be made by the City has impacted the rating agencies' determination of the City's creditworthiness. On April 17, 2013, Moody's Investors Service ("Moody's") issued a release (the "Release") announcing a new approach to analyzing state and local government pensions. The method of evaluating public pension plans established in the Release is intended to be a method of standardizing information among public pension plans and does not impact the City's required contributions, the value of the Retirement Funds' assets, or the liabilities owed by the Retirement Funds. The City does not endorse the method of analysis adopted by Moody's in the Release.

Moody's new pension analysis appears to include, among other things, adjusting pension plan Actuarial Accrued Liabilities by using certain common assumptions, such as the discount rate and amortization period. Certain other actuarial assumptions, such as mortality and salary growth rates, were not standardized across governmental plans. To accomplish their review, Moody's has stated that it will use a discount rate based on Citibank's Pension Liability Index discount rate as of a pension plan's valuation date. Such a discount rate will be lower than the discount rate currently used by the Retirement Funds and is closer to the discount rate for a typical pension plan in the private sector. The City estimates that Moody's new method of analysis would result in the following Funded Ratios, as hereinafter defined, of the Retirement Funds (based on data as of December 31, 2012): 25.2% for MEABF, 38.4% for LABF, 20.3% for PABF, and 15.8% for FABF. See Tables 5 through 8 below for information on the Retirement Funds' historical Funded Ratios. For information regarding the Retirement Funds' discount rate, see "—Actuarial Assumptions—Assumed Investment Rate of Return" below. The Release can be obtained from Moody's; provided, however, that the Release is not incorporated herein by such reference.

On March 4, 2014, Moody's issued a ratings action report (the "Rating Report") downgrading the ratings of the City's general obligation bonds and sales tax revenue bonds from "A3" to "Baa1," the City's water and sewer senior lien revenue bonds from "A1" to "A2," and the City's water and sewer second lien revenue bonds from "A2" to "A3," each with a negative outlook. This follows previous downgrades by Moody's on July 17, 2013 of the City's general obligation bonds and sales tax revenue bonds from "Aa3" to "A3," the City's water and sewer senior lien revenue bonds from "Aa2" to "A1," and the City's water and sewer second lien revenue bonds from "Aa3" to "A2." Moody's indicated in the



Rating Report that the March 4, 2014 downgrades reflect “massive and growing unfunded pension liabilities which threaten the City’s fiscal solvency absent major revenue and other budgetary adjustments in the near term and sustained for years to come.” The City makes no prediction as to whether the Moody’s rating action described above will result in additional downgrades, or the impact that the financial condition of the Retirement Funds will have on Moody’s or any other rating agency’s judgment of the City’s creditworthiness or on the City’s future financing costs. The Rating Report can be obtained from Moody’s; provided, however, that the report is not incorporated herein by such reference.

On September 13, 2013, Standard & Poor’s Ratings Group (“S&P”) affirmed the City’s “A+” general obligation bond rating, but changed its outlook on the City’s general obligation debt from “stable” to “negative.” In changing the City’s general obligation bond outlook, S&P cited the City’s pension liabilities. Furthermore, S&P indicated that the increased contributions required by current state law could result in ratings downgrades for the City if the City substantially reduces its reserves to make these increased payments.

On November 8, 2013, Fitch Ratings Inc. (“Fitch”) reduced the City’s general obligation bond and sales tax bond ratings from “AA-” to “A-” and the rating on the City’s commercial paper notes from “A+” to “BBB+.” Fitch assigned a negative outlook to each of these ratings. In announcing these ratings downgrades, Fitch cited, among other things, the City’s pension liability and the “strong legal protection to pension benefits” in Illinois.

In addition, other rating agencies may have established, or may establish in the future, methods for evaluating the financial health of the Retirement Funds and their impact on the City’s creditworthiness that are different from the information provided in this Appendix.

#### **Source Information**

The information contained in this Appendix relies in part on information produced by the Retirement Funds, their independent accountants and their independent actuaries (the “*Source Information*”). Neither the City nor the City’s independent auditors has independently verified the Source Information and make no representations nor express any opinion as to the accuracy of the Source Information.

Furthermore, where the tables in this Appendix present aggregate information regarding the Retirement Funds, such combined information results solely from the arithmetic calculation of numbers presented in the Source Information and may not conform to the requirements for the presentation of such information by the Governmental Accounting Standards Board (“GASB”) or the Pension Code.

Certain of the comprehensive annual financial reports of the Retirement Funds (each, a “*CAFR*” and together, the “*CAFRs*”), and certain of the actuarial valuations of the Retirement Funds (each, an “*Actuarial Valuation*” and together, the “*Actuarial Valuations*”), may be obtained by contacting the Retirement Funds. Certain of these reports may also be available on the Retirement Funds’ websites ([www.meabf.org](http://www.meabf.org); [www.chipabf.org](http://www.chipabf.org); [www.labfchicago.org](http://www.labfchicago.org); and [www.fabf.org](http://www.fabf.org)); provided, however, that the contents of these reports and of the Retirement Funds’ websites are not incorporated herein by such reference.

The Retirement Funds typically release their actuarial valuations in the April or May following the close of their fiscal year on December 31. MEABF, FABF and LABF have released their 2013 Actuarial Valuations. PABF has provided a draft 2013 Actuarial Valuation, which is the source of PABF fiscal year 2013 information in this Appendix. The final 2013 Actuarial Valuation will not be available until it is approved by the PABF Board, which is expected to occur on or about June 23, 2014. PABF

does not expect that the final 2013 Actuarial Valuation will differ materially from the draft 2013 Actuarial Valuation.

## **Background Information Regarding the Retirement Funds**

### *General*

Each of the Retirement Funds is a single-employer, defined-benefit public employee retirement system. “Single-employer” refers to the fact that there is a single plan sponsor, in this case, the City. “Defined-benefit” refers to the fact that the Retirement Funds pay a periodic benefit to retired employees and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the City), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. See “Table 1—Membership,” “—Determination of Employee Contributions” and “—Determination of City’s Contributions” below.

The benefits available under the Retirement Funds accrue throughout the time a member is employed by the City. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor’s periodic defined benefit payment upon retirement or termination from the City. The Retirement Funds also provide certain disability benefits and retiree healthcare benefits to eligible members.

Section 5 of Article XIII of the Illinois Constitution (the “*Illinois Pension Clause*”) provides as follows:

“Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.”

For a discussion of the Illinois Pension Clause in the context of possible pension reform related to the Retirement Funds, see “—Pension Reform” below.

For purposes of this Appendix, references to “employee” or “member” are references to the employees of the City, the employees of the Retirement Funds participating in the Retirement Funds, and with regard to MEABF, certain employees and annuitants of the Chicago Board of Education who are members of MEABF as described below.

### *The Retirement Funds*

*Municipal Employees’ Annuity and Benefit Fund of Chicago.* MEABF is established by and administered under Article 8 of the Pension Code. MEABF provides age and service retirement benefits, survivor benefits and disability benefits to all eligible members and survivors. MEABF is administered under the direction of a five-member board of trustees (the “*MEABF Board*”), whose members are responsible for managing and administering MEABF for the benefit of its members. In addition to City

employees, MEABF's membership includes non-instructional employees of the Chicago Board of Education ("CBOE Employees"). With respect to MEABF, the terms "employee" and "member" include the CBOE Employees. The CBOE Employees account for almost half of MEABF's membership. The Mayor of the City, the City Clerk, the City Treasurer, and members of the City Council may participate in MEABF if such persons file, while in office, written application to the MEABF Board.

*Policemen's Annuity and Benefit Fund of Chicago.* PABF is established by and administered under Article 5 of the Pension Code. PABF provides retirement and disability benefits to the police officers of the City, their surviving spouses and their children. PABF is administered by an eight-member board of trustees (the "PABF Board"). Members of the PABF Board are charged with administering the PABF under the Pension Code for the benefit of its members.

*Firemen's Annuity and Benefit Fund of Chicago.* FABF is established by and administered under Article 6 of the Pension Code. FABF provides retirement and disability benefits to fire service employees and their survivors. FABF is governed by an eight-member board of trustees (the "FABF Board"). Members of the FABF Board are statutorily mandated to discharge their duties solely in the interest of FABF's participants and beneficiaries.

*Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.* LABF is established by and administered under Article 11 of the Pension Code. LABF provides retirement and disability benefits for employees of the City who are employed in a title recognized by the City as labor service and for the survivors of such employees. LABF is governed by an eight-member board of trustees (the "LABF Board" and, together with the MEABF Board, the PABF Board and the FABF Board, the "Retirement Fund Boards"). Members of the LABF Board are statutorily mandated to discharge their duties solely in the interest of LABF's participants and beneficiaries.

The membership of the Retirement Funds, as of December 31, 2013, was as follows:

**TABLE 1 - MEMBERSHIP**

<b>Retirement Fund</b>	<b>Active Members</b>	<b>Inactive/ Entitled to Benefits</b>	<b>Retirees and Beneficiaries</b>	<b>Totals</b>
MEABF	30,647	14,254	25,042	69,943
PABF	12,161	654	13,159	25,974
FABF	4,685	57	4,640	9,382
LABF	<u>2,844</u>	<u>1,432</u>	<u>3,954</u>	<u>8,230</u>
Total	50,337	16,397	46,795	113,529

Source Actuarial Valuations of MEABF, FABF and LABF as of December 31, 2013 Draft Actuarial Valuation of PABF as of December 31, 2013

#### *Overlapping Taxing Bodies*

The City's tax base overlaps with numerous other units of government, including the Chicago Board of Education, the Chicago Park District ("CPD"), the County of Cook, and the State of Illinois (collectively, all such other units are referred to herein as the "Governmental Units"). Certain of the Governmental Units maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the "Other Retirement Funds"), many of which are also significantly underfunded. The underfunding of these Other Retirement Funds places a substantial additional potential

burden on the City's taxpayers, who bear the burden of funding a portion of the contributions of the Governmental Units.

On December 5, 2013, Governor Pat Quinn signed Public Act 98-0599 into law (the "*State Pension Reform Act*"). The State Pension Reform Act provides for certain cost-saving and other reforms to the State's four largest pension plans, including, but not limited to, changes to the employer contribution formula, cost of living adjustments, retirement ages and employee contributions. Such changes were scheduled to take effect on June 1, 2014. The State Pension Reform Act has been challenged by five separate lawsuits on behalf of various classes of annuitants, current and former workers, and labor organizations, alleging, among other things, that the legislation violates the Illinois Pension Clause. The Illinois Supreme Court consolidated these lawsuits into a single lawsuit and ordered that the consolidated lawsuit proceed in Sangamon County Circuit Court. On May 14, 2014, a plaintiff's motion for a temporary restraining order was granted. Such motion stays the implementation of the State Pension Reform Act in its entirety until further order of the court or until it is found unconstitutional. The City makes no prediction as to whether the filing of these lawsuits or their outcome will impact the City's pension reform efforts.

On January 7, 2014, Governor Pat Quinn signed Public Act 98-0622 into law (the "*CPD Pension Reform Act*"). The CPD Pension Reform Act provides for certain cost-saving and other reforms to CPD's pension plan, including, but not limited to, changes to the employer contribution formula, cost of living adjustments, retirement ages and employee contributions. Such changes became effective on June 1, 2014. The City is not aware of any lawsuit that has been filed challenging the CPD Pension Reform Act. The City makes no prediction as to whether lawsuits will be filed challenging the CPD Pension Reform Act, or whether the filing of any such lawsuit or its outcome will impact the City's pension reform efforts, nor does the City make any prediction as to whether the outcome of the lawsuits against the State Pension Reform Act will impact the CPD Pension Reform Act.

For more information on these Other Retirement Funds, please refer to the State's Commission on Government Forecasting and Accountability ("*COGFA*") website at <http://cgfa.ilga.gov/home.aspx>; provided, however, that the contents of the COGFA website are not incorporated herein by such reference. The City believes the information on COGFA's website to be reliable; however, the City takes no responsibility for the continued accuracy of the Internet address or for the accuracy or timeliness of information posted on the website.

#### *Certain Duties*

Each Retirement Fund Board is a fiduciary of its respective Retirement Fund and is authorized to perform all functions necessary for operation of the Retirement Funds. The Pension Code authorizes each Retirement Fund Board to make certain autonomous decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

Each Retirement Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Retirement Funds, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Retirement Funds are not construed to be debt imposed upon the City. Such expenses are the obligation of the Retirement Funds exclusively, as separate bodies politic and corporate.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Retirement Funds or any act or practice which violates any provision of the Pension Code.

### *Investments*

Each Retirement Fund Board manages the investments of its respective Retirement Fund. State law regulates the types of investments in which the Retirement Funds' assets may be invested. Furthermore, the Retirement Fund Boards invest the Retirement Funds' assets in accordance with the prudent person rule, which requires members of the Retirement Fund Boards, who are fiduciaries of the Retirement Funds, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

In carrying out their investment duty, the Retirement Fund Boards may appoint and review investment managers as fiduciaries to manage the investment assets of the Retirement Funds. Such investment managers are granted discretionary authority to manage the Retirement Funds' assets. Additional information regarding the Retirement Funds' investments and investment management may be found on the Retirement Funds' websites; provided, however, that the contents of such websites are not incorporated into this Appendix by such reference.

Table 2 provides information on the investment returns experienced by each of the Retirement Funds.

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**TABLE 2 – INVESTMENT RATES OF RETURN, 2003-2013**

<b>Fiscal Year</b>	<b>MEABF</b>	<b>FABF</b>	<b>LABF</b>	<b>PABF</b>
2003	19.6%	28.3%	17.5%	21.2%
2004	10.3	12.8	11.5	11.0
2005	6.6	9.5	7.8	7.3
2006	12.7	14.0	11.2	12.1
2007	7.3	11.0	8.0	8.8
2008	(28.7)	(33.8)	(29.2)	(27.8)
2009	19.4	23.7	21.5	21.5
2010	13.7	17.7	15.5	12.7
2011	0.1	(2.0)	(0.3)	0.8
2012	12.9	16.2	14.6	12.4
2013	14.9	19.5	15.8	13.7
Assumed Rate <sup>(1)</sup>	7.5	8.0	7.5	7.75

Source The audited financial statements of the FABF as of December 31 of the years 2003-2012. For MEABF, LABF and PABF, the CAFRs of the respective Retirement Fund for the fiscal years ending December 31, 2003-2012, except that fiscal year 2013 information with respect to MEABF, FABF and LABF is from the Actuarial Valuations for LABF, FABF and MEABF as of December 31, 2013, and fiscal year 2013 information with respect to PABF is from the draft Actuarial Valuation for PABF as of December 31, 2013.

(1) Reflects the assumed rate of return of the Retirement Funds as of December 31, 2013, as discussed in further detail under "Actuarial Assumptions—Assumed Investment Rate of Return" below.

### **Determination of Employee Contributions**

City employees who are members of the Retirement Funds are required to contribute to their respective Retirement Fund as set forth in the Pension Code.

Members of MEABF contribute 8.5% of their salary to MEABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit).

Members of PABF contribute 9.0% of their salary to PABF (consisting of a 7.0% contribution for employee benefits, a 1.5% contribution for spouse benefits and a 0.5% contribution for an annuity increase benefit).

Members of FABF contribute 9.125% of their salary to FABF (consisting of a 7.125% contribution for employee benefits, a 1.5% contribution for spouse benefits, a 0.375% contribution for an annuity increase benefit and a 0.125% contribution for disability benefits).

Members of LABF contribute 8.5% of their salary to LABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit).

For each Retirement Fund, if an employee leaves without qualifying for an annuity, accumulated employee contributions are refunded.

## Determination of City's Contributions

Under the Pension Code, the City's contributions to fund the Retirement Funds are determined pursuant to a statutory formula on an annual basis. The Pension Code provides that the City's contributions to the Retirement Funds are to be made from the proceeds of an annual levy of property taxes for each of the Retirement Funds (collectively, the "*Pension Levy*") by the City solely for such purpose (or the City may use other available funds, as discussed below); however, if SB 1922 is enacted into law, the Pension Code will no longer require that the Pension Levy be the default funding mechanism for MEABF and LABF beginning in 2015. Instead, the City may use any legally available funds, which may include funds from the Pension Levy up to the amount of the City's required contribution. The City Council would need to approve the amount of the Pension Levy, if any, for MEABF and LABF. As such, any Pension Levy amount for MEABF and LABF would only be as a result of City Council action. The Pension Levy is exclusive of and in addition to the amount of property tax which the City levies for other purposes.

The amount of the Pension Levy may not exceed the product of a multiplier established in the Pension Code for each Retirement Fund (each, a "*Multiplier*") and the amount contributed by the City's employees two years prior to the year in which the tax is levied (the "*Multiplier Funding*"); provided however, that pursuant to P.A. 96-1495, the Pension Levy for PABF and FABF will equal the amount of required actuarial funding beginning with the levy in 2015; provided further, however, if SB 1922 is enacted into law, the Pension Code will no longer require a Pension Levy for MEABF and LABF beginning in 2015. For levy years 2011, 2012 and 2013, the Multiplier for each Retirement Fund was as follows: 1.25 for MEABF; 2.00 for PABF; 2.26 for FABF; and 1.00 for LABF. The City's contributions are made as governed by the Pension Code and are not based on the Actuarially Required Contribution (as hereinafter defined). See "—The Actuarial Valuation—City's Contributions Not Related to GASB Standards" below.

The Pension Code provides that the Retirement Fund Boards must each annually certify to the City Council a determination of the required City contribution to the Retirement Funds. In making its request for the City's annual contribution, each Retirement Fund, acting through its Retirement Fund Board, annually approves and then submits a resolution to the City Council requesting that the City Council levy for a particular contribution amount. The City has generally paid the amounts so requested. See "City Contributions to FABF" below.

In lieu of levying all or a portion of the annual Pension Levy, the City is permitted under the Pension Code to deposit with the City Treasurer other legally available funds to be used for the same purpose as the Pension Levy (collectively, the "*Other Available Funds*"). In recent years, the City has utilized these provisions by depositing with the City Treasurer certain amounts paid by the State to the City from the Personal Property Replacement Tax Fund ("*PPRT*") of the State pursuant to Section 12 of the Revenue Sharing Act of the State. The City's distributive share of PPRT is not required to be used for this purpose but it can be used by the City for corporate purposes. Since 2003, the amount of PPRT contributed by the City to the Retirement Funds in the aggregate has averaged approximately \$78,387,000 annually. In 2011, 2012 and 2013, the amounts of PPRT contributed to the Retirement Funds in the aggregate were approximately \$108,153,000, \$101,875,000 and \$126,629,000, respectively. For those same years, the City's total distributive share of PPRT was \$144,332,846, \$139,461,000 and \$159,559,000, respectively. 2013 PPRT information is based on unaudited City data and is subject to change.

For purposes of this Appendix, references to "Pension Levy" may include the Other Available Funds of the City.

The City's contributions to the Retirement Funds have equaled the Multiplier Funding and certain other amounts required by the Pension Code and have not been in excess of that amount. The City's contributions in accordance with the Pension Code, which are generally lower than the Actuarially Required Contribution, as described below, have contributed to the significant underfunding of the Retirement Funds. Moreover, the City's contributions in accordance with the Pension Code have had the effect of deferring the funding of the Retirement Funds' liabilities, which increases the costs of such liabilities and the associated financial risks, including the risk that each Retirement Fund will not be able to pay its obligations as they become due. Any significant increases in the City's contributions (such as those set to occur under P.A. 96-1495 and, if enacted, SB 1922) to the Retirement Funds can be expected to place further strain on the City's finances.

#### *City's Contributions to FABF*

For levy year 2014, the FABF has requested certain amounts which the City has determined are not required by the Pension Code. The amount requested by the FABF Board in excess of the amount the City has determined to be the statutory requirement for 2014 was \$18,147,000. The FABF Board has made similar requests for amounts in excess of the amount the City has determined to be the statutory requirement in each of the last several years. In each such year, including the current year, the City has indicated that it will not contribute amounts in excess of the amount the City has determined to be the statutory contribution requirement to FABF.

#### *City's Required Contributions to PABF and FABF Beginning with the Levy made in 2015*

On December 30, 2010, Governor Pat Quinn signed into law Public Act 096-1495 ("P.A. 96-1495") which, among other things, created a new method of determining the contribution to be made by the City to PABF and FABF. P.A. 96-1495 requires that, beginning in 2015, the Pension Levy each year for PABF and FABF will be equal to the amount necessary to achieve a Funded Ratio (as hereafter defined) of 90% in PABF and FABF by the end of fiscal year 2040 (the "P.A. 96-1495 Funding Plan").

Pursuant to the P.A. 96-1495 Funding Plan, the Pension Levy for PABF and FABF will be calculated as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040. In Cook and DuPage Counties (in which the City is located), property taxes (including the Pension Levy) levied in one year become payable during the following year in two installments. As such, the Pension Levy for PABF and FABF made in calendar year 2015 will be payable in calendar year 2016.

The P.A. 96-1495 Funding Plan, if implemented, would significantly increase the City's required contributions to PABF and FABF beginning in 2016 and would impose a significant financial burden on the City. The City is exploring options to change the P.A. 96-1495 Funding Plan to reduce the near-term burden on the City's financial condition imposed by dramatically increased contributions to PABF and FABF under P.A. 96-1495, including shifting all or a portion of such burden to future years. Any change to the P.A. 96-1495 Funding Plan which would reduce the contributions required of the City would have the effect of increasing the unfunded liabilities and decreasing the Funded Ratio with respect to PABF and FABF when compared to the projected unfunded liabilities and Funded Ratio as set forth in Tables 13 and 14 below. Furthermore, any such change would require legislative action by the Illinois General Assembly.

Illinois House Bill 3088 ("HB 3088") contains a proposed amendment that would: (i) delay implementation of the actuarial funding required by the P.A. 96-1495 Funding Plan until tax levy year 2022, and instead require the City to continue contributing to PABF and FABF under the Multiplier Funding system through tax levy year 2021; and (ii) provide that PABF and FABF achieve a 90% Funded



Ratio by 2061 rather than 2040 as currently required by P.A. 96-1495 (collectively, the “96-1495 Delay Bill”). If enacted, the 96-1495 Delay Bill would increase the cost of PABF’s and FABF’s respective liabilities, as well as the associated financial risks, including the risk that the PABF and FABF will become insolvent. For more information regarding the possible insolvency of the Retirement Funds, see “Projection of Funded Status and Insolvency” below.

No assurance can be given that a bill modifying the P.A. 96-1495 Funding Plan, including the 96-1495 Delay Bill, will be enacted into law.

P.A. 96-1495 does not affect the manner in which the City contributes to MEABF and LABF.

#### *City’s Required Contributions to LABF and MEABF Pursuant to SB 1922*

On April 8, 2014, Senate Bill 1922 (“SB 1922”) passed both houses of the General Assembly. SB 1922 has been sent to the Governor, who has not yet taken action on the bill. The Governor has 60 days to either sign or veto the bill; if he takes no action within that time period, SB 1922 will automatically become law. If SB 1922 becomes law, it would, among other things, modify the manner in which the City’s contributions to LABF and MEABF are calculated. For levy years 2015 through 2019, SB 1922 would retain the Multiplier Funding system as the method of calculating the City’s contributions to LABF and MEABF (unless the amount determined pursuant to the Multiplier Funding System for a levy year is more than the normal cost for such levy year plus the amount, determined on a level percentage of payroll basis, that is sufficient to achieve a Funded Ratio of 90% by the end of fiscal year 2055), but would increase the Multiplier in each levy year to the following: in 2015, 1.60 (LABF) and 1.85 (MEABF); in 2016, 1.90 (LABF) and 2.15 (MEABF); in 2017, 2.20 (LABF) and 2.45 (MEABF); in 2018, 2.50 (LABF) and 2.75 (MEABF); and in 2019, 2.80 (LABF) and 3.05 (MEABF). Beginning with levy year 2020, the City’s contributions for LABF and MEABF would equal the normal cost for such year plus the amount, determined on a level percentage of payroll basis that is sufficient to achieve a Funded Ratio of 90% in LABF and MEABF by the end of fiscal year 2054 (the “SB 1922 Funding Plan”).

SB 1922, if enacted into law, would not affect the manner in which the City contributes to PABF and FABF.

### **The Actuarial Valuation**

#### *General*

In addition to the process outlined above, the Pension Code requires that the Retirement Funds annually submit to the City Council a report containing a detailed statement of the affairs of such Retirement Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Actuarially Required Contribution (as defined below) of such Retirement Fund for reporting purposes pursuant to GASB Statement No. 25 (“GASB 25”).

A description of the statistics generated by the Retirement Funds’ actuaries in the Actuarial Valuations follows in the next few paragraphs. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the City. The

references to GASB principles in this Appendix do not suggest and should not be construed to suggest otherwise.

#### *Actuaries and the Actuarial Process*

GASB standards require disclosure of an “Actuarially Required Contribution,” which is a financial reporting requirement but not a funding requirement. One of the primary purposes of the Actuarial Valuations is to determine the Actuarially Required Contribution, which is the annual contribution amount that GASB standards would calculate is needed to fully fund the Retirement Funds. GASB pronouncements refer to this concept as the “Annual Required Contribution”; however, this Appendix refers to the concept as the Actuarially Required Contribution to denote the fact that the Actuarially Required Contribution is the amount an actuary would calculate pursuant to GASB standards to be contributed in a given year, to differentiate it from the amount the City will be required to contribute under the Pension Code.

The Actuarially Required Contribution consists of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the actuarial cost method (as described in “—Actuarial Methods—Actuarial Accrued Liability” below), termed the “Normal Cost”; and (2) an amortized portion of any UAAL (defined below).

In producing the Actuarial Valuations, the Retirement Funds’ actuaries use demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to calculate, as of the valuation date, the Normal Cost, the Actuarial Accrued Liability (defined below), the Actuarial Value of Assets (defined below), and the actuarial present values for the Retirement Fund. The Retirement Funds’ actuaries use this data to determine the following fiscal year’s Actuarially Required Contribution. The Retirement Funds’ Actuarial Valuations are publicly available and may be obtained from the Retirement Funds. See “—Source Information” above.

The Actuarial Accrued Liability is an estimate of the present value of the benefits each Retirement Fund must pay to current and retired employees as a result of their past employment with the City and participation in such Retirement Fund. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age, mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by each Retirement Fund. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds’ Actuarial Accrued Liability and Actuarial Value of Assets, see “—Actuarial Methods” and “—Actuarial Assumptions” below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the “*Unfunded Actuarial Accrued Liability*” or “*UAAL*.” The UAAL represents the present value of benefits attributed to past service that are in excess of plan assets. In addition, the actuary will compute the “Funded Ratio,” which is the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan.

#### *City’s Contributions Not Related to GASB Standards*

The City’s contributions to the Retirement Funds are not based on the contribution standards promulgated by GASB for reporting purposes. Instead, the City’s contributions are based on the formulas

and amounts established in the Pension Code. Whereas GASB's contribution standards are actuarially based, the contribution amounts required by the Pension Code, with the exception of the P.A. 96-1495 Funding Plan discussed above, are not actuarially based. If enacted into law, the SB 1922 Funding Plan would also be actuarially based. See "—Determination of City's Contributions" above.

The difference between the City's actual contributions and the Actuarially Required Contribution (as calculated by the Retirement Funds' actuaries) for fiscal years 2004-2013 is shown in "Table 4 – Information Regarding City's Contributions–Aggregated" below. The Retirement Funds' Actuarially Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Funds' UAAL over a 30-year period. MEABF, LABF and FABF amortize the UAAL on a level dollar basis, whereas PABF amortizes the UAAL on a level percent of payroll basis. SB 1922 would change the method of amortization for LABF and MEABF to a level percent of payroll basis. Both methods of calculating the Actuarially Required Contribution are acceptable under the standards promulgated by GASB.

#### *City's Contributions under P.A. 96-1495 and SB 1922 Will Not Conform to GASB Financial Reporting Benchmarks*

As discussed above, beginning with the property tax levy made in 2015 (and collectible in 2016), the Pension Levy for PABF and FABF is required to be calculated pursuant to P.A. 96-1495. Furthermore, if enacted into law, the SB 1922 Funding Plan will govern calculation of the Pension Levy for LABF and MEABF beginning with the property tax levy made in 2020 (and collectible in 2021). The P.A. 96-1495 Funding Plan and the SB 1922 Funding Plan differ from the manner of calculation GASB requires for financial reporting purposes. The primary difference between GASB's financial reporting standards and these funding plans is that the goal of such funding plans is to reach a Funded Ratio in the respective Retirement Funds of 90%. GASB's financial reporting standards require amortization of the entire UAAL towards attainment of a 100% Funded Ratio.

#### **Actuarial Methods**

The Retirement Funds' actuaries employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

##### *Actuarial Value of Assets*

The Retirement Funds calculate their respective Actuarial Value of Assets by smoothing investment gains and losses over a period of five years, a method of valuation referred to as the "*Asset Smoothing Method*." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 20% of the investment gain or loss realized in that year and each of the previous four years. The Asset Smoothing Method is an allowable method of calculation according to GASB.

The Asset Smoothing Method lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the UAAL and the Funded Ratio, that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually.

Table 3 provides a comparison of the assets of the Retirement Funds (as aggregated) on a fair value basis and after application of the Asset Smoothing Method.

**TABLE 3 – ASSET SMOOTHED VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS –  
AGGREGATED<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Actuarial Value of Assets<sup>(2)</sup></b>	<b>Fair Value of Net Assets</b>	<b>Actuarial Value as a Percentage of Fair Value</b>
2004	\$13,108,645	\$12,952,096	101.21%
2005	13,086,060	13,245,445	98.80
2006	13,435,692	14,164,347	94.86
2007	14,254,816	14,595,514	97.67
2008	13,797,344	9,844,339	140.16
2009	13,051,349	10,876,846	119.99
2010	12,449,863	11,408,555	109.13
2011	11,521,138	10,536,135	109.35
2012	10,531,447	10,799,603	97.51
2013	10,513,564	11,261,254	93.36

Source 2004 through 2010 data are from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. 2011 and 2012 data are sourced from the Actuarial Valuations of the Retirement Funds as of December 31, 2011 and December 31, 2012, respectively. 2013 data are from the Actuarial Valuations of MEABF, FABF and LABF and the draft Actuarial Valuation of PABF.

(1) In thousands of dollars. Data are presented in the aggregate for the Retirement Funds.

(2) The Actuarial Value of Assets is calculated through use of the Asset Smoothing Method.

#### *Actuarial Accrued Liability*

As the final step in the Actuarial Valuation, the actuary applies a cost method to allocate the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of the Actuarial Accrued Liability and the Normal Cost. Currently, all of the Retirement Funds use the entry age normal actuarial cost method (the “*EAN Method*”) with costs allocated on the basis of earnings. The EAN Method is a GASB-approved actuarial cost method.

Under the EAN Method, the present value of each member’s projected pension is assumed to be funded by annual installments equal to a level percent of the member’s earnings for each year between entry age and assumed exit age. Each member’s Normal Cost for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the Normal Cost for the plan for the year is the sum of the normal costs of all active members.

P.A. 96-1495 requires that, beginning in 2015, PABF and FABF calculate the Actuarial Accrued Liability pursuant to the projected unit credit actuarial cost method (the “*PUC Method*”). Under the PUC Method, Normal Cost represents the actuarial present value of that portion of a member’s projected benefit that is attributable to service in the current year, based on future compensation projected to retirement. Under this method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a member’s projected benefit that is attributable to service to date, again, on the basis of future compensation projected to retirement.

Under either cost method, the Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date, i.e., for past service. This value changes as the member’s salary changes and years of service increases, and as some members

leave and new members are hired. Future Normal Cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

As compared to the EAN Method, the PUC Method will produce a more back-loaded growth in liabilities because the PUC Method allocates a higher portion of retirement costs closer to the time of retirement. Therefore, the PUC Method results in a slower accumulation of assets, which in turn requires smaller initial, and larger future, contributions (assuming funding is actuarially based, as is the P.A. 96-1495 Funding Plan). Deferring contributions in this manner increases the cost of the liabilities and the associated financial risks for PABF and FABF.

### **Actuarial Assumptions**

The Actuarial Valuations of the Retirement Funds use a variety of assumptions in order to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. Although several of the assumptions are the same across all of the Retirement Funds, each Retirement Fund determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation unless a specific assumption is fixed by the Pension Code. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Funds. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution. Additional information on each Retirement Fund's actuarial assumptions is available in the draft 2013 Actuarial Valuation with respect to PABF, and the 2013 Actuarial Valuations with respect to LABF, FABF and MEABF. See "—Source Information" above.

The actuarial assumptions used by the Retirement Funds are determined by the individual Retirement Fund Boards upon the advice of the actuaries. The Retirement Funds periodically perform experience studies to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of the pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness.

### *Assumed Investment Rate of Return*

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement Fund. The average long-term investment rates of return currently assumed by the Retirement Funds are described in Table 2 above. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Funds on their assets in any year may be higher or lower than the assumed rate. See Table 2 for the rates of return earned on the Retirement Funds' assets for the last eleven fiscal years. Changes in the Retirement Funds' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the Retirement Funds' use of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years. See "—Actuarial Methods—Actuarial Value of Assets" above.

Beginning with calendar year 2012, the Retirement Fund Boards of MEABF, LABF and PABF reduced the assumed investment rate of return to be used by their respective actuaries in preparing future actuarial valuations. For MEABF and LABF, the assumed investment rate of return has been decreased to 7.50% beginning with calendar year 2012. For PABF, the assumed investment rate of return was decreased to 7.75% for calendar year 2012 and 7.50% beginning with calendar year 2013. FABF continues to assume an investment rate of return of 8.0%. For a discussion of the rate to be used by Moody's in analyzing public pension plans, see "—General" above.

The assumed investment rate of return is used by each Retirement Fund's actuary as the discount rate to determine the present value of future payments to such Retirement Fund's members. Such a determination is part of the actuary's process to develop the Actuarial Accrued Liability. Reducing the assumed investment rate of return will, taken independently of other changes, produce a larger Actuarial Accrued Liability for each Retirement Fund. Furthermore, as discussed above, an increase in the Actuarial Accrued Liability will, taken independently, increase the UAAL, decrease the funded ratio and increase the Actuarially Required Contribution.

These changes to the assumed investment rate of return will not impact contributions by the City to Retirement Funds when such contributions are determined pursuant to the Multiplier Funding system. However, beginning in 2016, the City's contributions to PABF are expected to increase even further as a result of the change in the assumed investment rate of return, taken independently of other factors, because PABF's UAAL will increase as described above and the P.A. 96-1495 Funding Plan requires an amortization of the UAAL to reach the 90% funding target by 2040. Furthermore, if SB 1922 is enacted into law, beginning in 2021, the City's contributions to LABF and MEABF are also expected to increase as a result of the change in the respective assumed investment rates of return, taken independently of other factors, because the respective UAALs of LABF and MEABF will increase as described above and the SB 1922 Funding Plan requires an amortization of the UAAL to reach the 90% funding target by 2054.

#### **Funded Status of the Retirement Funds**

In recent years, the City has contributed to the Retirement Funds the full amount of Multiplier Funding and certain other amounts determined by the City to be required by the Pension Code through a combination of property tax revenues (through the Pension Levy) and PPRT funds.\* However, these amounts have not been sufficient to fully fund the Retirement Funds' Actuarially Required Contribution. Moreover, expenses related to the Health Plan (as defined below) are paid from the City's contributions, which has the effect of reducing the Actuarial Value of Assets and decreasing the Funded Ratio.

Furthermore, the income from all sources (including employee contributions, City contributions and investment earnings) to the Retirement Funds has been lower than the cash outlays of the Retirement Funds in recent years. As a result, the Retirement Funds have liquidated investments and used assets of the Retirement Funds to satisfy these cash outlays. The use of investment earnings or assets of the Retirement Funds for these purposes reduces the amount of assets on hand to pay benefits in the future and prevents the Retirement Funds from recognizing the full benefits of compounding investment returns.

Table 4 provides information on the Actuarially Required Contribution, the City's actual contributions in accordance with the Pension Code and the percentage of the Actuarially Required Contribution made in each year.

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\* As discussed under "—Determination of City's Contributions" above, the City and FABF have disagreed over whether certain amounts are required under the Pension Code. In addition, pursuant to the Pension Code, the City did not make any contributions to or levy the Pension Levy for LABF in fiscal years 2001 through 2006 because LABF had funds on hand in excess of its liabilities. The Pension Code provides that the City will cease to make contributions to LABF in such a situation. The City continued to levy the Pension Levy for the other Retirement Funds during those years.

**TABLE 4 – INFORMATION REGARDING CITY’S CONTRIBUTIONS<sup>(1)</sup> – AGGREGATED**

<b>Fiscal Year</b>	<b>Actuarially Required Contribution</b>	<b>Actual Employer Contribution<sup>(2)</sup></b>	<b>Percentage of Actuarially Required Contribution Contributed<sup>(3)</sup></b>
2004	\$ 545,232	\$345,398	63.3%
2005	698,185	423,515	60.7
2006	785,111	394,899	50.3
2007 <sup>(4)</sup>	865,776	395,483	45.7
2008 <sup>(4)</sup>	886,215	416,130	47.0
2009 <sup>(4)</sup>	990,381	423,929	42.8
2010 <sup>(4)</sup>	1,112,626	425,552	38.2
2011 <sup>(4)</sup>	1,321,823	416,693	31.5
2012 <sup>(4)</sup>	1,470,905	440,120	29.9
2013 <sup>(4)</sup>	1,695,278	442,970	26.1

Sources: Actuarial Valuations of the Retirement Funds as of December 31, 2010, December 31, 2011 and December 31, 2012, CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010, and CAFRs of the City for the fiscal year ending December 31, 2011 and December 31, 2012. Fiscal Year 2013 information is from the Actuarial Valuations of MEABF, FABF and LABF as of December 31, 2013, and the draft Actuarial Valuation of PABF as of December 31, 2013.

- (1) In thousands of dollars. Data are presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each of the Retirement Funds. For the data presented as of December 31, 2003 through December 31, 2006, contribution information includes amounts related to other post-employment benefits. Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other post-employment benefits.
- (2) Includes the portion of the PPRT contributed to the Retirement Funds in each year.
- (3) The estimated multiplier that would have been necessary for each Retirement Fund to make the full Actuarially Required Contribution in 2013 were as follows: 4.52 for MEABF, 6.45 for FABF, 5.26 for LABF, and 6.92 for PABF. Beginning with the levy made in 2015 (and collectible in 2016), the City’s contributions to PABF and FABF will not be calculated in accordance with the Multiplier Funding system. Similarly, if SB 1922 is enacted, the City’s contributions to LABF and MEABF will not be calculated in accordance with the Multiplier Funding system beginning with the levy made in 2020 (and collectible in 2021). See “—Determination of City’s Contributions” above.
- (4) Beginning in 2007, as a result of a change in GASB standards, the information in this Table 4 does not include other post-employment benefits, which the City’s Comprehensive Annual Financial Report presents separately.

The continued decline in the percentage of the Actuarially Required Contribution contributed by the City, as shown in Table 4 above, results, in part, from the fact that the actuarial liability continues to grow and as a result of the delayed recognition of gains and losses resulting from the Retirement Funds’ use of the Asset Smoothing Method for financial reporting purposes. See “—Actuarial Methods—Actuarial Value of Assets” above.

As of the end of fiscal year 2010, the Retirement Funds had an aggregate UAAL of approximately \$15.315 billion on a fair value basis and \$14.274 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 42.7% and 46.6%. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of (i) insufficient contributions compared to the Actuarially Required Contribution and (ii) investment losses brought on by the severe global economic downturn.

As of the end of fiscal year 2011, the Retirement Funds had an aggregate UAAL of approximately \$17.284 billion on a fair value basis and \$16.299 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 37.9% and 41.4%.

As of the end of fiscal year 2012, the Retirement Funds had an aggregate UAAL of approximately \$19.084 billion on a fair value basis and \$19.352 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 36.1% and 35.2%.

As of the end of fiscal year 2013, the Retirement Funds had an aggregate UAAL of approximately \$19.362 billion on a fair value basis and \$20.110 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 36.8% and 34.3%.

The following tables summarize the financial condition and the funding trends of the Retirement Funds.

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**TABLE 5 – FINANCIAL CONDITION OF THE MEABF**  
**FISCAL YEARS 2004-2013**  
**(\$ IN THOUSANDS)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	\$5,922,789	\$6,242,741	\$6,356,888	\$6,841,127	\$7,010,007	\$4,739,614	\$5,166,224	\$5,435,593	\$5,053,249	\$5,182,670
Income										
- Member Contributions	155,885	122,542	129,466	132,442	137,749	130,981	133,300	132,596	130,266	131,532
- City Contributions	153,919	155,067	148,332	139,552	146,803	157,698	164,302	156,525	158,381	157,705
- Investment Income <sup>(1)</sup>	578,730	402,311	778,726	485,926	(1,947,576)	778,562	638,569	31,583	589,198	735,272
- Miscellaneous Income	-	-	-	-	-	-	24	-	-	-
Total	\$ 888,534	\$ 679,920	\$1,056,524	\$ 757,921	\$(1,663,024)	\$1,067,241	\$ 936,195	\$ 320,705	\$ 877,845	\$1,024,509
Expenditures										
- Benefits and Refunds	538,910	560,228	565,887	582,046	599,137	632,864	660,081	695,674	741,583	779,003
- Administration <sup>(2)</sup>	29,672	5,545	6,398	6,995	7,279	7,766	6,745	7,375	6,841	6,499
Total	\$ 568,582	\$ 565,773	\$ 572,285	\$ 589,041	\$ 606,416	\$ 640,630	\$ 666,826	\$ 703,050	\$748,425	\$ 785,502
Ending Net Assets (Fair Value)	\$6,242,741	\$6,356,888	\$6,841,127	\$7,010,007	\$4,740,567	\$5,166,225	\$5,435,593	\$5,053,249	\$5,182,670	\$5,421,676
Actuarial Value of Assets <sup>(3)</sup>	\$6,343,076	\$6,332,379	\$6,509,146	\$6,890,463	\$6,669,502	\$6,295,788	\$6,003,390	\$5,552,291	\$5,073,320	\$5,114,208
Actuarial Accrued Liabilities <sup>(4)</sup>	8,808,501	9,250,212	9,476,118	9,968,747	10,383,158	10,830,119	11,828,666	12,292,930	13,475,376	13,828,920
UAAAL (Fair Value) <sup>(5)</sup>	2,565,760	2,893,324	2,634,991	2,958,740	5,642,591	5,663,894	6,393,073	7,239,681	8,292,706	8,407,244
UAAAL (Actuarial Value) <sup>(3)</sup>	2,465,425	2,917,833	2,966,972	3,078,284	3,713,656	4,534,331	5,825,276	6,740,639	8,402,057	8,714,712
Funded Ratio (Fair Value) <sup>(5)</sup>	70.9%	68.7%	72.2%	70.3%	45.7%	47.7%	46.0%	41.1%	38.5%	39.2%
Funded Ratio (Actuarial Value) <sup>(3)</sup>	72.0%	68.5%	68.7%	69.1%	64.2%	58.1%	50.8%	45.2%	37.6%	37.0%

Source 2004 through 2010 data are from the Actuarial Valuation of the MEABF as of December 31, 2010, and the CAFR of the MEABF for the fiscal year ending December 31, 2010, 2011, 2012 and 2013 data are from the Actuarial Valuations of the MEABF as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively Table may not add due to rounding

(1) Investment income is shown net of fees and expenses

(2) Beginning in fiscal year 2009, includes expenses related to other post-employment benefits See "Other Post-Employment Benefits" below

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—Actuarial Methods—Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits See "Other Post-Employment Benefits" below

(5) Calculated using net assets

**TABLE 6 – FINANCIAL CONDITION OF THE PABF**  
**FISCAL YEARS 2004-2013**  
**(\$ IN THOUSANDS)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	\$3,693,283	\$3,865,809	\$3,954,837	\$4,192,076	\$4,333,234	\$3,000,998	\$3,326,051	\$3,439,669	\$3,175,509	\$3,213,432
Income										
- Member Contributions	78,801	89,110	91,965	93,300	93,207	95,614	108,402	98,222	95,892	93,329
- City Contributions	135,669	177,911	157,689	178,678	181,526	180,511	183,835	183,522	207,228	188,889
- Investment Income <sup>(1)</sup>	367,908	261,389	447,275	349,914	(1,104,909)	567,315	369,558	33,656	353,176	415,294
- Miscellaneous Income	75	368	1,070	28	160	799	20	104	423	479
Total	\$ 582,453	\$ 528,778	\$ 697,999	\$ 621,920	\$ (830,016)	\$ 844,239	\$ 661,815	\$ 315,504	\$ 656,719	\$ 697,991
Expenditures										
- Benefits and Refunds	407,301	437,089	458,060	477,685	497,721	514,883	544,272	575,305	613,907	641,926
- Administration <sup>(2)</sup>	2,626	2,661	2,700	3,077	4,499	4,304	3,925	4,359	4,888	4,298
Total	\$ 409,927	\$ 439,750	\$ 460,760	\$ 480,762	\$ 502,220	\$ 519,187	\$ 548,197	\$ 579,664	\$ 618,795	\$ 646,204
Ending Net Assets (Fair Value)	\$3,865,809	\$3,954,837	\$4,192,076	\$4,333,234	\$3,000,998	\$3,326,050	\$3,439,669	\$3,175,509	\$3,213,433	\$3,265,200
Actuarial Value of Assets <sup>(3)</sup>	\$3,933,031	\$3,914,432	\$3,997,991	\$4,231,682	\$4,093,720	\$3,884,978	\$3,718,955	\$3,444,690	\$3,148,930	\$3,053,882
Actuarial Accrued Liabilities <sup>(4)</sup>	7,034,271	7,722,737	7,939,561	8,220,353	8,482,574	8,736,102	9,210,056	9,522,395	10,051,827	10,282,339
UAAAL (Fair Value) <sup>(5)</sup>	3,168,462	3,767,900	3,747,485	3,887,119	5,481,576	5,410,052	5,770,387	6,346,886	6,839,394	7,017,139
UAAAL (Actuarial Value) <sup>(3)</sup>	3,101,240	3,808,305	3,941,570	3,988,671	4,388,854	4,851,124	5,491,101	6,077,705	6,902,898	7,228,457
Funded Ratio (Fair Value) <sup>(5)</sup>	55.0%	51.2%	52.8%	52.7%	35.4%	38.1%	37.3%	33.4%	32.0%	31.8%
Funded Ratio (Actuarial Value) <sup>(3)</sup>	55.9%	50.7%	50.4%	51.5%	48.3%	44.5%	40.4%	36.2%	31.3%	29.7%

Source 2004 through 2010 data are from the Actuarial Valuation of the PABF as of December 31, 2010, and CAFR of the PABF for the fiscal year ending December 31, 2010. 2011 and 2012 data are from the Actuarial Valuations of the PABF as of December 31, 2011 and December 31, 2012, respectively. 2013 data are from the draft Actuarial Valuation of the PABF as of December 31, 2013. Table may not add due to rounding.

- (1) Investment income is shown net of fees and expenses  
(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below  
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—Actuarial Methods—Actuarial Value of Assets" above  
(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below  
(5) Calculated using net assets.

**TABLE 7 – FINANCIAL CONDITION OF THE FABF**  
**FISCAL YEARS 2004-2013**  
**(\$ IN THOUSANDS)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	\$1,109,561	\$1,206,177	\$1,274,659	\$1,391,484	\$1,469,455	\$ 914,193	\$1,051,644	\$1,106,078	\$993,774	\$1,032,423
Income										
- Member Contributions	37,734	35,697	44,222	41,120	40,480	41,605	41,730	51,918	56,718	42,520
- City Contributions	55,532	90,129	78,971	74,271	83,744	91,857	83,592	85,498	84,144	106,220
- Investment Income <sup>(1)</sup>	139,497	112,017	174,406	148,806	(484,093)	208,537	150,835	(22,434)	135,203	190,536
- Miscellaneous Income	24,322	456	87	162	107	36	30	17	8	(60)
Total	\$ 257,085	\$ 238,299	\$ 297,686	\$ 264,359	\$(359,762)	\$ 342,035	\$ 276,187	\$ 114,999	\$ 276,073	\$339,216
Expenditures										
- Benefits and Refunds	158,372	167,527	178,214	183,304	192,644	201,146	217,565	223,580	233,840	251,819
- Administration <sup>(2)</sup>	2,097	2,290	2,647	3,084	2,856	3,439	4,187	3,723	3,584	3,115
Total	\$ 160,469	\$ 169,817	\$ 180,861	\$ 186,388	\$ 195,500	\$ 204,585	\$ 221,752	\$ 227,303	\$ 237,424	\$254,934
Ending Net Assets (Fair Value)	\$1,206,177	\$1,274,659	\$1,391,484	\$1,469,455	\$ 914,193	\$1,051,643	\$1,106,079	\$993,774	\$1,032,423	\$1,116,705
Actuarial Value of Assets <sup>(3)</sup>	\$1,182,579	\$1,203,654	\$1,264,497	\$1,374,960	\$1,335,695	\$1,269,231	\$1,198,114	\$1,101,742	\$ 993,284	\$991,213
Actuarial Accrued Liabilities <sup>(4)</sup>	2,793,524	2,882,936	3,088,124	3,215,874	3,311,269	3,428,838	3,655,026	3,851,919	4,020,138	4,128,735
UAAAL (Fair Value) <sup>(5)</sup>	1,587,347	1,608,277	1,696,640	1,746,419	2,397,076	2,377,195	2,548,947	2,858,145	2,987,715	3,012,030
UAAAL (Actuarial Value) <sup>(3)</sup>	1,610,945	1,679,282	1,823,627	1,840,914	1,975,574	2,159,607	2,456,912	2,750,177	3,026,854	3,137,522
Funded Ratio (Fair Value) <sup>(5)</sup>	43.2%	44.2%	45.1%	45.7%	27.6%	30.7%	30.3%	25.8%	25.7%	27.0%
Funded Ratio (Actuarial Value) <sup>(3)</sup>	42.3%	41.8%	40.9%	42.8%	40.3%	37.0%	32.8%	28.6%	24.7%	24.0%

Source 2004 through 2010 data are from the Actuarial Valuation of the FABF as of December 31, 2010, and CAFR of the FABF for the fiscal year ending December 31, 2010 2011, 2012 and 2013 data are from the Actuarial Valuations of the FABF as of December 31, 2011, December 31, 2012 and December 31, 2013, respectively Table may not add due to rounding

- (1) Investment income is shown net of fees and expenses
- (2) Beginning in fiscal year 2001, includes expenses related to other post-employment benefits See "Other Post-Employment Benefits" below
- (3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—Actuarial Methods—Actuarial Value of Assets" above.
- (4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits See "Other Post-Employment Benefits" below
- (5) Calculated using net assets

**TABLE 8 – FINANCIAL CONDITION OF THE LABF**  
**FISCAL YEARS 2004-2013**  
**(\$ IN THOUSANDS)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	\$1,552,361	\$1,637,369	\$1,659,061	\$1,739,660	\$1,782,818	\$1,188,580	\$1,332,929	\$1,427,214	\$1,313,604	\$1,371,077
Income										
- Member Contributions	22,591	16,257	18,791	18,413	19,419	17,538	16,320	16,069	16,559	16,393
- City Contributions	197	40	106	15,459	17,580	17,190	17,939	15,359	14,415	14,101
- Investment Income <sup>(1)</sup>	171,045	117,785	174,536	125,205	(510,463)	237,102	193,187	(4,511)	173,460	207,344
- Miscellaneous Income	5	-	-	-	-	-	-	-	-	-
Total	\$ 193,838	\$ 134,082	\$ 193,433	\$ 159,077	\$(473,464)	\$ 271,830	\$ 227,446	\$ 26,917	\$ 204,434	\$ 237,838
Expenditures										
- Benefits and Refunds	105,958	109,405	110,003	112,567	117,147	123,817	129,297	136,533	142,215	147,108
- Administration <sup>(2)</sup>	2,872	2,985	2,831	3,352	3,626	3,665	3,864	3,994	4,746	4,134
Total	\$ 108,830	\$ 112,390	\$ 112,834	\$ 115,919	\$ 120,773	\$ 127,482	\$ 133,161	\$ 140,527	\$ 146,961	\$ 151,242
Ending Net Assets (Fair Value)	\$1,637,369	\$1,659,061	\$1,739,660	\$1,782,818	\$1,188,581	\$1,332,928	\$1,427,214	\$1,313,604	\$1,371,077	\$1,457,673
Actuarial Value of Assets <sup>(3)</sup>	\$1,649,959	\$1,635,595	\$1,664,058	\$1,757,711	\$1,698,427	\$1,601,352	\$1,529,404	\$1,422,414	\$1,315,914	\$1,354,261
Actuarial Accrued Liabilities <sup>(4)</sup>	1,674,615	1,742,300	1,767,682	1,808,295	1,915,324	1,975,749	2,030,025	2,152,854	2,336,189	2,383,499
UAAAL (Fair Value) <sup>(5)</sup>	37,246	83,239	28,022	25,477	726,743	642,821	602,811	839,250	965,112	925,826
UAAAL (Actuarial Value) <sup>(3)</sup>	24,656	106,705	103,624	50,584	216,897	374,397	500,621	730,440	1,020,276	1,029,238
Funded Ratio (Fair Value) <sup>(5)</sup>	97.8%	95.2%	98.4%	98.6%	62.1%	67.5%	70.3%	61.0%	58.7%	61.2%
Funded Ratio (Actuarial Value) <sup>(3)</sup>	98.5%	93.9%	94.1%	97.2%	88.7%	81.1%	75.3%	66.1%	56.3%	56.8%

Source: 2004 through 2010 data are from the Actuarial Valuation of the LABF as of December 31, 2010, and CAFR of the LABF for the fiscal year ending December 31, 2010. 2011, 2012 and 2013 data are from the Actuarial Valuations of the LABF as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively. Table may not add due to rounding.

- (1) Investment income is shown net of fees and expenses
- (2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below
- (3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "Actuarial Methods—Actuarial Value of Assets" above
- (4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below
- (5) Calculated using net assets

**TABLE 9 – FINANCIAL CONDITION OF THE RETIREMENT FUNDS COMBINED**  
**FISCAL YEARS 2004-2013**  
**(\$ IN THOUSANDS)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	\$12,277,994	\$12,952,096	\$13,245,445	\$14,164,347	\$14,595,514	\$9,843,385	\$10,876,848	\$11,408,554	\$10,536,136	\$10,799,603
Income										
- Member Contributions	295,011	263,606	284,444	285,275	290,855	285,738	299,752	298,805	299,435	283,774
- City Contributions	345,317	423,147	385,098	407,960	429,653	447,256	449,668	440,904	464,168	466,915
- Investment Income <sup>(1)</sup>	1,257,180	893,502	1,574,943	1,109,851	(4,047,041)	1,791,516	1,352,149	38,295	1,251,037	1,548,446
- Miscellaneous Income	24,402	824	1,157	190	267	835	74	121	431	419
Total	\$1,921,910	\$1,581,079	\$2,245,642	\$1,803,277	\$(3,326,266)	\$2,525,345	\$2,101,643	\$778,125	\$2,015,071	\$2,299,554
Expenditures										
- Benefits and Refunds	1,210,541	1,274,249	1,312,164	1,355,602	1,406,649	1,472,710	1,551,215	1,631,093	1,731,545	1,819,856
- Administration <sup>(2)</sup>	37,267	13,481	14,576	16,508	18,260	19,174	18,721	19,452	20,059	18,046
Total	\$1,247,808	\$1,287,730	\$1,326,740	\$1,372,110	\$1,424,909	\$1,491,884	\$1,569,936	\$1,650,544	\$1,751,604	\$1,837,902
Ending Net Assets (Fair Value)	\$12,952,096	\$13,245,445	\$14,164,347	\$14,595,514	\$9,844,339	\$10,876,846	\$11,408,555	\$10,536,135	\$10,799,603	\$11,261,254
Actuarial Value of Assets <sup>(3)</sup>	\$13,108,645	\$13,086,060	\$13,435,692	\$14,254,816	\$13,797,344	\$13,051,349	\$12,449,863	\$11,521,138	\$10,531,448	\$10,513,564
Actuarial Accrued Liabilities <sup>(4)</sup>	20,310,911	21,598,185	22,271,485	23,213,269	24,092,325	24,970,808	26,723,773	27,820,098	29,883,532	30,623,493
UAAL (Fair Value) <sup>(5)</sup>	7,358,815	8,352,740	8,107,138	8,617,755	14,247,986	14,093,962	15,315,218	17,283,963	19,083,929	19,362,239
UAAL (Actuarial Value) <sup>(3)</sup>	7,202,266	8,512,125	8,835,793	8,958,453	10,294,981	11,919,459	14,273,910	16,298,960	19,352,084	20,109,929
Funded Ratio (Fair Value) <sup>(5)</sup>	63.77%	61.33%	63.60%	62.88%	40.86%	43.56%	42.69%	37.87%	36.1%	36.8%
Funded Ratio (Actuarial Value) <sup>(3)</sup>	64.54%	60.59%	60.33%	61.41%	57.27%	52.27%	46.59%	41.41%	35.2%	34.3%

Source: 2004 through 2010 data are from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. 2011 and 2012 data are from the Actuarial Valuations of the Retirement Funds as of December 31, 2011 and December 31, 2012, respectively. For fiscal year 2013, data are from the Actuarial Valuations of MEABF, FAFB and LABF as of December 31, 2013, and from the draft Actuarial Valuation of PABF as of December 31, 2013. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses

(2) Includes expenses related to other post-employment benefits beginning in each of the fiscal years as shown in Footnote (2) in Tables 6-9 herein for each respective Retirement Fund. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—Actuarial Methods—Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

**TABLE 10 – SCHEDULE OF FUNDING PROGRESS – COMBINED FOR THE RETIREMENT FUNDS**  
**FISCAL YEARS 2004-2013**  
**(\$ IN THOUSANDS)**

Fiscal Year	Actuarial Accrued Liability <sup>(1)</sup>	Actuarial Value of Assets <sup>(2)</sup>	Fair Value of Net Assets	UAAL (Actuarial) <sup>(3)</sup>	UAAL (Fair Value) <sup>(4)</sup>	Funded Ratio (Actuarial) <sup>(3)</sup>	Funded Ratio (Fair Value) <sup>(4)</sup>	Payroll	UAAL to Payroll (Actuarial) <sup>(3)</sup>	UAAL to Payroll (Fair Value) <sup>(4)</sup>
2004	\$20,310,911	\$13,108,645	\$12,952,096	\$7,202,266	\$7,358,815	64.5%	63.8%	\$2,683,331	268.4%	274.2%
2005	21,598,185	13,086,060	13,245,445	8,512,125	8,352,740	60.6	61.3	2,880,358	295.5	290.0
2006	22,271,485	13,435,692	14,164,347	8,835,793	8,107,138	60.3	63.6	3,069,479	287.9	264.1
2007	23,213,269	14,254,816	14,595,514	8,958,453	8,617,755	61.4	62.9	3,185,388	281.2	270.5
2008	24,092,325	13,797,344	9,844,339	10,294,981	14,247,986	57.3	40.9	3,180,484	323.7	448.0
2009	24,970,808	13,051,349	10,876,846	11,919,459	14,093,962	52.3	43.6	3,172,716	375.7	444.2
2010	26,723,773	12,449,863	11,408,555	14,273,910	15,315,218	46.6	42.7	3,189,739	447.5	480.1
2011	27,233,004	11,521,138	10,536,135	16,298,960	16,696,869	41.4	37.9	3,261,021	499.8	512.0
2012	29,883,532	10,531,448	10,799,603	19,352,084	19,083,929	35.2	36.1	3,223,720	600.0	592.0
2013	30,623,493	10,513,564	11,261,254	20,109,929	19,362,239	34.3	36.8	3,212,558	626.0	602.7

Source 2004 through 2010 data are from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010 2011 and 2012 data are from the Actuarial Valuations of the Retirement Funds as of December 31, 2011 and December 31, 2012, respectively Fiscal year 2013 data are from the Actuarial Valuations of MEABF, FABF and LABF as of December 31, 2013, and from the draft Actuarial Valuation of PABF as of December 31, 2013 Table may not add due to rounding

(1) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits See "Other Post-Employment Benefits" below.

(2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—Actuarial Methods—Actuarial Value of Assets" above.

(3) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets

(4) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the fair value of Net Assets

A variety of factors impact the Retirement Funds' UAAL and Funded Ratio. A lower return on investment than that assumed by the Retirement Funds, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, higher returns on investment than assumed, and contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio.

### **Projection of Funded Status and Insolvency**

The Retirement Funds' funding level has decreased in recent years due to a combination of factors, including: adverse market conditions and investment returns as a result of the financial downturns experienced in 2001 and in 2008 and beyond; and contributions that are lower than the Actuarially Required Contribution.

The following projections (collectively, the "*Projections*") are based upon numerous variables that are subject to change. The Projections are forward-looking statements regarding future events based on the Retirement Funds' actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection.

The Projections are based on the 2012 Actuarial Valuations of the Retirement Funds and are provided to indicate expected trends in the funded status of the Retirement Funds under current law. As such, the Projections reflect P.A. 96-1495 but do not reflect SB 1922.

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**TABLE 11 – PROJECTION OF FUTURE FUNDING STATUS – MEABF<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Actuarial Accrued Liability (a)</b>	<b>Market Assets (b)</b>	<b>Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)</b>	<b>Market Funded Ratio (b/a)</b>	<b>Employer Contribution</b>
2014	\$14,536,397	\$4,891,512	\$ 9,644,885	33.65%	\$156,091
2015	15,048,196	4,678,909	10,369,287	31.09	162,992
2016	15,560,462	4,418,517	11,141,945	28.40	168,394
2017	16,082,630	4,116,817	11,965,813	25.60	174,085
2018	16,601,674	3,757,415	12,844,259	22.63	179,934
2019	17,114,069	3,333,218	13,780,851	19.48	185,880
2020	17,616,057	2,863,458	14,752,599	16.25	191,946
2021	18,104,325	2,260,041	15,844,284	12.48	198,105
2022	18,576,408	1,596,843	16,979,565	8.60	204,365
2023	19,044,224	853,400	18,190,824	4.48	210,645
2024	19,493,710	10,479	19,483,231	0.05	217,119
2025	19,922,976	-	19,922,976	0.00	224,610
2026	20,330,539	-	20,330,539	0.00	231,509
2027	20,714,947	-	20,714,947	0.00	238,478
2028	21,075,196	-	21,075,196	0.00	245,611
2029	21,409,418	-	21,409,418	0.00	252,856
2030	21,715,387	-	21,715,387	0.00	260,223
2031	21,992,990	-	21,992,990	0.00	267,721
2032	22,243,068	-	22,243,068	0.00	275,359
2033	22,467,127	-	22,467,127	0.00	282,999
2034	22,667,597	-	22,667,597	0.00	290,786
2035	22,846,617	-	22,846,617	0.00	298,804
2036	23,006,737	-	23,006,737	0.00	307,058
2037	23,150,602	-	23,150,602	0.00	315,512
2038	23,280,753	-	23,280,753	0.00	324,231
2039	23,400,356	-	23,400,356	0.00	333,228
2040	23,512,563	-	23,512,563	0.00	342,489
2041	23,622,082	-	23,622,082	0.00	352,018
2042	23,734,828	-	23,734,828	0.00	361,889
2043	23,855,936	-	23,855,936	0.00	372,010

Source: For fiscal years 2014-2025, Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Beginning with fiscal year 2025, the City has adjusted Gabriel Roeder Smith & Company's projections by using different assumptions. In particular, the City has assumed that it will continue to contribute to MEABF pursuant to the Multiplier Funding System upon the insolvency of MEABF. Projection derived from actuarial data as of December 31, 2012.

(1) In thousands of dollars



**TABLE 12 – PROJECTION OF FUTURE FUNDING STATUS – LABF<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Actuarial Accrued Liability (a)</b>	<b>Market Assets (b)</b>	<b>Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)</b>	<b>Market Funded Ratio (b/a)</b>	<b>Employer Contribution</b>
2014	\$2,463,253	\$1,318,110	\$1,145,143	53.51%	\$14,472
2015	2,519,158	1,280,233	1,238,925	50.82	15,267
2016	2,573,437	1,234,100	1,339,337	47.96	15,582
2017	2,628,859	1,182,049	1,446,810	44.96	15,972
2018	2,682,630	1,120,849	1,561,781	41.78	16,425
2019	2,734,485	1,049,746	1,684,739	38.39	16,932
2020	2,783,726	967,528	1,816,198	34.76	17,480
2021	2,830,103	873,379	1,956,724	30.86	18,057
2022	2,873,247	766,264	2,106,983	26.67	18,660
2023	2,913,025	645,342	2,267,683	22.15	19,280
2024	2,948,881	509,366	2,439,515	17.27	19,935
2025	2,980,541	357,263	2,623,278	11.99	20,620
2026	3,007,674	187,822	2,819,852	6.24	21,313
2027	3,029,960	-	3,029,960	0.00	22,217
2028	3,047,254	-	3,047,254	0.00	22,758
2029	3,059,371	-	3,059,371	0.00	23,540
2030	3,066,267	-	3,066,267	0.00	24,344
2031	3,068,479	-	3,068,479	0.00	25,175
2032	3,066,566	-	3,066,566	0.00	26,030
2033	3,061,130	-	3,061,130	0.00	26,866
2034	3,053,004	-	3,053,004	0.00	27,715
2035	3,042,845	-	3,042,845	0.00	28,587
2036	3,031,278	-	3,031,278	0.00	29,474
2037	3,019,032	-	3,019,032	0.00	30,343
2038	3,006,471	-	3,006,471	0.00	31,151
2039	2,993,998	-	2,993,998	0.00	31,937
2040	2,982,375	-	2,982,375	0.00	32,710
2041	2,972,440	-	2,972,440	0.00	33,476
2042	2,964,758	-	2,964,758	0.00	34,216
2043	2,959,792	-	2,959,792	0.00	34,931

Source For fiscal years 2014-2027, Gabriel Roeder Smith & Company Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds Beginning with fiscal year 2028, the City has adjusted Gabriel Roeder Smith & Company's projections by using different assumptions In particular, the City has assumed that it will continue to contribute to LABF pursuant to the Multiplier Funding System upon the insolvency of LABF Projection derived from actuarial data as of December 31, 2012

(1) In thousands of dollars

**TABLE 13 – PROJECTION OF FUTURE FUNDING STATUS – FABF<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Actuarial Accrued Liability (a)</b>	<b>Market Assets (b)</b>	<b>Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)</b>	<b>Market Funded Ratio (b/a)</b>	<b>Employer Contribution</b>
2014	\$4,308,913	\$ 941,185	\$3,367,728	21.84%	\$109,532
2015	4,452,548	891,353	3,561,195	20.02	113,915
2016	4,594,292	972,576	3,621,716	21.17	255,005
2017	4,732,564	1,055,322	3,677,242	22.30	262,352
2018	4,865,986	1,139,769	3,726,217	23.42	270,459
2019	4,993,722	1,226,299	3,767,423	24.56	278,982
2020	5,115,953	1,316,101	3,799,852	25.73	287,895
2021	5,233,558	1,410,714	3,822,844	26.96	296,875
2022	5,346,933	1,512,021	3,834,912	28.28	306,529
2023	5,456,021	1,622,484	3,833,537	29.74	317,645
2024	5,560,197	1,743,090	3,817,107	31.35	329,021
2025	5,659,686	1,875,596	3,784,090	33.14	340,809
2026	5,752,106	2,020,813	3,731,293	35.13	351,914
2027	5,837,310	2,180,795	3,656,515	37.36	362,004
2028	5,917,012	2,356,907	3,560,105	39.83	371,235
2029	5,993,837	2,549,978	3,443,859	42.54	379,748
2030	6,067,128	2,759,815	3,307,313	45.49	387,404
2031	6,135,774	2,985,293	3,150,481	48.65	393,386
2032	6,200,107	3,227,475	2,972,632	52.06	399,100
2033	6,260,250	3,487,783	2,772,467	55.71	404,588
2034	6,318,352	3,768,672	2,549,680	59.65	409,351
2035	6,375,454	4,071,910	2,303,544	63.87	413,540
2036	6,432,317	4,399,407	2,032,910	68.40	417,415
2037	6,491,291	4,755,142	1,736,149	73.25	421,670
2038	6,554,092	5,142,726	1,411,366	78.47	426,181
2039	6,623,040	5,566,252	1,056,788	84.04	430,865
2040	6,697,483	6,027,735	669,748	90.00	435,877
2041	6,777,096	6,099,386	677,710	90.00	27,164

Source     Gabriel Roeder Smith & Company     Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds  
Projection derived from actuarial data as of December 31, 2012.

(1)     In thousands of dollars

**TABLE 14 – PROJECTION OF FUTURE FUNDING STATUS – PABF<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Actuarial Accrued Liability (a)</b>	<b>Market Assets (b)</b>	<b>Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)</b>	<b>Market Funded Ratio (b/a)</b>	<b>Employer Contribution</b>
2014	\$10,679,810	\$2,971,019	\$7,708,791	27.82%	\$191,784
2015	11,034,979	2,800,866	8,234,113	25.38	187,071
2016	11,395,936	3,053,949	8,341,987	26.80	630,587
2017	11,761,717	3,323,004	8,438,713	28.25	651,583
2018	12,130,320	3,606,440	8,523,880	29.73	671,892
2019	12,499,767	3,903,754	8,596,013	31.23	692,290
2020	12,867,620	4,215,416	8,652,204	32.76	713,832
2021	13,231,797	4,541,104	8,690,693	34.32	735,563
2022	13,591,726	4,882,757	8,708,969	35.92	758,198
2023	13,946,178	5,242,297	8,703,881	37.59	781,920
2024	14,293,787	5,620,728	8,673,059	39.32	805,966
2025	14,633,563	6,020,954	8,612,609	41.14	831,501
2026	14,964,374	6,445,257	8,519,117	43.07	857,847
2027	15,285,111	6,896,318	8,388,793	45.12	885,110
2028	15,594,800	7,380,260	8,214,540	47.33	914,849
2029	15,888,196	7,898,871	7,989,325	49.72	942,743
2030	16,153,064	8,450,706	7,702,358	52.32	966,719
2031	16,393,712	9,033,687	7,360,025	55.10	986,247
2032	16,614,659	9,648,140	6,966,519	58.07	1,003,249
2033	16,817,565	10,294,939	6,522,626	61.22	1,017,798
2034	17,005,616	10,978,965	6,026,651	64.56	1,031,828
2035	17,182,873	11,707,115	5,475,758	68.13	1,045,281
2036	17,353,593	12,485,517	4,868,076	71.95	1,057,977
2037	17,521,586	13,320,879	4,200,707	76.03	1,070,245
2038	17,690,275	14,219,878	3,470,397	80.38	1,082,388
2039	17,861,422	15,188,465	2,672,957	85.04	1,094,165
2040	18,036,440	16,232,796	1,803,644	90.00	1,106,278
2041	18,216,283	16,394,654	1,821,629	90.00	189,858
2042	18,401,525	16,561,373	1,840,152	90.00	193,339
2043	18,592,418	16,733,176	1,859,242	90.00	197,089

Source     Gabriel Roeder Smith & Company     Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds  
Projection derived from actuarial data as of December 31, 2012

(1)     In thousands of dollars

**TABLE 15 – PROJECTION OF FUTURE FUNDING STATUS – AGGREGATE<sup>(1)(2)</sup>**

<b>Fiscal Year</b>	<b>Actuarial Accrued Liability (a)</b>	<b>Market Assets (b)</b>	<b>Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)</b>	<b>Market Funded Ratio (b/a)</b>	<b>Employer Contribution</b>
2014	\$31,988,373	\$10,121,826	\$21,866,547	31.64%	\$ 471,879
2015	33,054,881	9,651,361	23,403,520	29.20	479,245
2016	34,124,127	9,679,142	24,444,985	28.36	1,069,568
2017	35,205,770	9,677,192	25,528,578	27.49	1,103,992
2018	36,280,610	9,624,473	26,656,137	26.53	1,138,710
2019	37,342,043	9,513,017	27,829,026	25.48	1,174,084
2020	38,383,356	9,362,503	29,020,853	24.39	1,211,153
2021	39,399,783	9,085,238	30,314,545	23.06	1,248,600
2022	40,388,314	8,757,885	31,630,429	21.68	1,287,752
2023	41,359,448	8,363,523	32,995,925	20.22	1,329,490
2024	42,296,575	7,883,663	34,412,912	18.64	1,372,041
2025	43,196,766	8,253,813	34,942,953	19.11	1,417,540
2026	44,054,693	8,653,892	35,400,801	19.64	1,462,583
2027	44,867,328	9,077,113	35,790,215	20.23	1,507,809
2028	45,634,262	9,737,167	35,897,095	21.34	1,554,453
2029	46,350,822	10,448,849	35,901,973	22.54	1,598,887
2030	47,001,846	11,210,521	35,791,325	23.85	1,638,690
2031	47,590,955	12,018,980	35,571,975	25.25	1,672,529
2032	48,124,400	12,875,615	35,248,785	26.75	1,703,737
2033	48,606,072	13,782,722	34,823,350	28.36	1,732,251
2034	49,044,569	14,747,637	34,296,932	30.07	1,759,681
2035	49,447,789	15,779,025	33,668,764	31.91	1,786,213
2036	49,823,925	16,884,924	32,939,001	33.89	1,811,924
2037	50,182,511	18,076,021	32,106,490	36.02	1,837,771
2038	50,531,591	19,362,604	31,168,987	38.32	1,863,951
2039	50,878,816	20,754,717	30,124,099	40.79	1,890,195
2040	51,228,861	22,260,531	28,968,330	43.45	1,917,355
2041	51,587,901	22,494,040	29,093,861	43.60	602,517

Source: The aggregated information presented in this table is derived from the projections presented in Tables 11-14. Please refer to Tables 11-14 for source information.

(1) In thousands of dollars

(2) Aggregate data presented in this table includes data for all four Retirement Funds

The projections in Tables 11 and 12 show that the assets of LABF and MEABF will be depleted by 2025 and 2028, respectively, under current law (i.e. without regard to SB 1922). This means that, under the Pension Code as currently enacted, LABF and MEABF will not have assets on hand to make payments to beneficiaries beginning in 2025 and 2028, respectively. The employer contributions in Tables 11 and 12 reflect the formula for such contributions under current law, namely, Multiplier Funding. See “—Determination of City’s Contributions” herein. These employer contributions, when combined with employee contributions and other sources of revenue, such as investment returns, are projected to be insufficient to provide for full payments to beneficiaries by LABF and MEABF upon insolvency. SB 1922, if enacted into law, would modify the manner in which LABF and MEABF are funded and is projected to decrease the

unfunded liabilities of these plans. See “Legislative Changes—SB 1922” for additional information.

The City cannot predict the impact that the insolvency of MEABF or LABF would have on its contributions to these Retirement Funds. One possibility upon insolvency of MEABF or LABF would be changes in the Pension Code to provide for pay-as-you-go funding. Under pay-as-you-go funding, the employer contribution equals the amount necessary, when added to other income, specifically employee contributions, to fund the current year benefits to be paid by the retirement fund. Gabriel Roeder Smith & Company (“GRS”) projects that, should the City be required to adopt pay-as-you-go funding to ensure that payments to beneficiaries are made to MEABF and LABF beneficiaries following the insolvency of such Retirement Funds, the City’s contributions to such Retirement Funds would increase substantially. With respect to MEABF, GRS projects that pay-as-you-go funding would increase the City’s contribution from approximately \$217 million in 2024 to \$1.129 billion in 2025, \$1.686 billion in 2042 and \$1.684 billion in 2060. With respect to LABF, GRS projects that pay-as-you-go funding would increase the City’s contribution from approximately \$22.7 million in 2027 to \$222 million in 2028, \$251 million in 2036 and \$229 million in 2060. Such large increases in the City’s contributions, if required, could have a material adverse impact on the City’s financial condition.

Additionally, the City cannot predict if or when changes to the Pension Code or judicial decisions relevant to its contributions will be enacted or decided, respectively, and the impact any such legislation or judicial decisions would have on the manner in which it contributes to the Retirement Funds. Contributing pursuant to Multiplier Funding or pay-as-you-go funding, as discussed in this subsection, represent two possible outcomes, however the City can make no representation that some other method of determining contributions, including payments that are possibly even larger than pay-as-you-go funding, would not be required.

The projections in Tables 13 and 14 show that the assets of both FABF and PABF will, under current law, begin to increase in 2016. This increase assumes the implementation of the P.A. 96-1495 Funding Plan, beginning with levy year 2015. This projection does not consider the impact of the 96-1495 Delay Bill. The City projects that, should the 96-1495 Delay Bill be enacted in its current form, the Funded Ratio of such Retirement Funds would continue to decrease during the period by which P.A. 96-1495 is delayed.

The statements made in this subsection are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties. The projections set forth in this Appendix rely on information produced by the Retirement Funds’ independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City’s independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

## **Report and Recommendations of the Commission to Strengthen Chicago's Pension Funds**

The information contained in this subsection describing the CSCP and the Final Report (each as defined herein) relies on information produced by the CSCP, including the Final Report. The Final Report is available at [http://www.chipabf.org/ChicagoPolicePension/PDF/Financials/pension\\_commission/CSCP\\_Final\\_Report\\_Vol.1\\_4.30.2010.pdf](http://www.chipabf.org/ChicagoPolicePension/PDF/Financials/pension_commission/CSCP_Final_Report_Vol.1_4.30.2010.pdf); however, the content of the Final Report and such website is not incorporated herein by such reference. The City makes no representation nor expresses any opinion as to the accuracy of the Final Report, the statements made or the information therein, some of which may be conflicting. Furthermore, information about the Final Report is being provided for historical purposes only.

On January 11, 2008, then Mayor Richard M. Daley announced the formation of the Commission to Strengthen Chicago's Pension Funds (the "*CSCP*"), which was composed of a broad cross-section of City officials, union leaders, pension fund executives, and business and civic professionals. The CSCP was charged with examining the Retirement Funds and recommending ways to improve the Funded Ratio of each Retirement Fund. The CSCP met several times in 2008 through 2010, and at the CSCP's final meeting on March 24, 2010, the CSCP endorsed its final report, with three commissioners dissenting. The CSCP's final report, which included letters from the dissenting commissioners, was submitted to Mayor Daley on April 30, 2010 (the "*Final Report*").

The CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act and P.A. 96-1495 and, therefore, does not consider the impact of these acts on the Retirement Funds. See "*Determination of City's Contributions*" and "*Legislative Changes*" above for additional information on these acts. As described below, certain of the CSCP's findings and recommendations as contained in the Final Report are addressed by either act.

The CSCP found that the financial health of the Retirement Funds had deteriorated due to a combination of factors, including the following: increasing liabilities due to enhanced benefits (e.g., non-recurring early retirement programs that were not properly funded); inadequate contributions, which were based upon a fixed percentage of payroll and not actuarial need (i.e., the Multiplier Funding); and adverse market conditions leading to fluctuating returns on investments (in 2000-2002 and 2007-2009) which could not keep pace with growth in liabilities. With regard to the CSCP's finding of inadequate contributions, P.A. 96-1495 addresses this finding with regard to PABF and FABF. As described in "*Determination of City's Contributions*" and "*Legislative Changes — P.A. 96-1495*" above, the City's Pension Levy applicable to PABF and FABF will be calculated as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040 pursuant to the P.A. 96-1495 Funding Plan, which will significantly increase the City's contributions to PABF and FABF beginning with the levy made in 2015 (and collectible in 2016).

The CSCP found that due to the inadequate contributions, the Retirement Funds have had to use assets to pay current benefits, which in turn put pressure on the asset bases and Funded Ratios of the Retirement Funds.

The CSCP modeled a set of scenarios for the Retirement Funds and found that, based on the actuarial assumptions in use by the Retirement Funds and the condition of the Retirement Funds at the end of 2009, the Retirement Funds would, in the absence of substantial changes to the Retirement Funds' funding policy and/or benefit structure, deplete all assets in each of the Retirement Funds at different dates but all within twenty years of the date of the Final Report. However, the CSCP's approval of the Final Report occurred before the enactment of the Pension

Reform Act and P.A. 96-1495 and the depletion dates as estimated in the Final Report would not have taken into account the impact of such legislation. See “—Projection of Funded Status” above for the projections based upon the current legislative structure applicable to the Retirement Funds.

The CSCP suggested that the issues related to the Retirement Funds need to be addressed as soon as possible and offered the following specific recommendations: (i) the defined benefit structure used by the Retirement Funds should remain (as opposed to a defined contribution structure); (ii) new employees should continue to become members of the Retirement Funds; (iii) the Retirement Funds should be funded on an actuarial basis; (iv) changes in the Retirement Funds for new members, while recognized by the CSCP as undesirable, will probably be necessary; (v) contributions to the Retirement Funds should be increased and revenue sources identified; (vi) employee contributions should not exceed the value of benefits on a career basis; (vii) review any provisions in current law for refunds or for alternative benefit calculations to ensure that the anticipated financial results of a reform program are actually obtained; (viii) in general, no changes in the Retirement Funds should be made unless financially neutral or advantageous to the Retirement Funds, now or in the future; (ix) a variety of other reforms should be considered, including reforming potential abuses, establishing sound reciprocity with other Illinois public pensions, implementing new structures to manage investments of the Retirement Funds, and improving administration of disability claims and benefits; and (x) any reform legislation must comprehensively and simultaneously address all aspects of the pension funding program.

CSCP’s recommendations were made prior to the enactment of the Pension Reform Act and P.A. 96-1495. Certain of the CSCP’s recommendations, including changes in the Retirement Funds for new members, were part of the Pension Reform Act (with regard to MEABF and LABF) and P.A. 96-1495 (with regard to PABF and FABF).

#### **Diversions of Grant Money to Police and Fire Funds Under P.A. 96-1495**

P.A. 96-1495 allows the State Comptroller to divert State grant money intended for the City to either of PABF and FABF to satisfy contribution shortfalls by the City (the “*Recapture Provision*”). If the City fails to contribute to PABF and FABF as required by the Pension Code, the City will be subject to a reallocation of grants of State funds to the City if (i) the City fails to make the required payment for 90 days past the due date, (ii) the subject Retirement Fund gives notice of the failure to the City, and (iii) such Retirement Fund certifies to the State Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold grants of State funds from the City in an amount not in excess of the delinquent payment amount in the following proportions: (i) in fiscal year 2016, one-third of the City’s State grant money, (ii) in fiscal year 2017, two-thirds of the City’s State grant money, and (iii) in fiscal year 2018 and in each fiscal year thereafter, 100% of the City’s State grant money. Should the Recapture Provision in P.A. 96-1495 be invoked as a result of the City’s failure to contribute all or a portion of its required contribution, a reduction in State grant money may have a significant adverse impact on the City’s finances.

A delay bill such as the P.A. 96-1495 Delay Bill may, if enacted, delay the implementation of the Recapture Provision of P.A. 96-1495. No assurance can be given that a bill such as the P.A. 96-1495 Delay Bill will be enacted. See “—Determination of City’s Contributions—City’s Required Contributions to PABF and FABF Beginning with the Levy made in 2015.”

## **GASB Statements 67 and 68**

On June 25, 2012, GASB announced it was adopting new Statements 67 and 68 (collectively, the “*Statements*”) covering the manner in which pension plans and governments, respectively, account for and report information regarding those pension plans. The Statements take effect in fiscal years 2014 and 2015, respectively. The City expects they will significantly alter the financial statements produced by the City and the Retirement Funds; however, because the City contributes to the Retirement Funds pursuant to the methods established in the Pension Code, the Statements would not impact the contributions made by the City without legislative action.

## **Legislative Changes**

### *P.A. 96-0889*

On April 14, 2010, Governor Quinn signed Public Act 96-0889 (the “*Pension Reform Act*”) into law. The Pension Reform Act establishes a “two-tier” benefit system with less generous benefits for employees who become members of MEABF and LABF on or after January 1, 2011 (“*Tier II Members*”) as compared to those provided to employees prior to such date (“*Tier I Members*”). The Pension Reform Act does not impact persons who first became members or participants prior to its effective date of January 1, 2011.

Among other changes, the Pension Reform Act: (i) increases the minimum age at which an active employee may retire with unreduced benefits to age 67 from age 60 or younger based on a formula combining the age of the employee and the number of years of service; (ii) increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50; (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the annual cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, and eliminates compounding for employees hired after January 1, 2011, compared with a cost of living adjustment of 3%, compounded, under prior law; and (v) caps the salary on which a pension may be calculated at \$106,800 (subject to certain adjustments for inflation).

The Pension Reform Act does not change City or employee contributions to MEABF or LABF. The Pension Code continues to require that the City contribute to MEABF and LABF pursuant to the respective Multiplier; however, if SB 1922 is enacted into law, the City’s contributions will change. See “SB 1922” below.

The Pension Reform Act as described in this subsection, taken independently of any other legislative or market effects, is expected to reduce benefits afforded new hires and therefore reduce over time the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As the value of future benefits decreases over time, and as a greater percentage of the City’s workforce is covered by the Pension Reform Act, the Actuarial Accrued Liability is expected to decrease compared to what it would have been under previous law. Consequently, the UAAL is expected to grow more slowly and the Funded Ratio to improve. As the growth in the UAAL slows, the Actuarially Required Contribution is expected to be reduced as the amount of UAAL to be amortized decreases. However, no assurance can be given that these expectations will be the actual experience going forward.



#### *P.A. 96-1495*

P.A. 96-1495 has a significant impact on PABF and FABF. Certain provisions of P.A. 96-1495 are discussed above in “—Determination of City’s Contributions—City’s Required Contributions to PABF and FABF Beginning with the Levy made in 2015.” The P.A. 96-1495 Funding Plan will have the effect of significantly increasing the portion of the Pension Levy applicable to PABF and FABF because, among other things, the Multiplier Funding will no longer serve to cap the Pension Levy (applicable to PABF and FABF) and because the P.A. 96-1495 Funding Plan is designed to require larger contributions by the City. The greater contributions projected to be required under the P.A. 96-1495 Funding Plan are expected to pose a substantial burden for the City’s financial condition beginning in 2016. See “—Projection of Funded Status and Insolvency” above.

In addition, P.A. 96-1495 makes changes to benefits for police officers and firefighters first participating in PABF and FABF on or after January 1, 2011. Among other changes, P.A. 96-1495: (i) increases the minimum eligibility age for unreduced retirement benefits from 50 (with ten years of service) to 55 (with ten years of service); (ii) provides for retirement at age 50 (with ten years of service) with the annuity reduced by 0.5% per month; (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers (“CPI-u”), whichever is lower, commencing at age 60; (v) provides that widow benefits are 66 2/3% of the employee’s annuity at the date of death; and (vi) caps the salary on which a pension may be calculated at \$106,800 (subject to certain adjustments for inflation).

While the reforms discussed in this section are expected to contribute to a reduction in the Retirement Funds’ respective UAALs over time, such reforms are not expected to materially reduce such UAALs in the near future.

#### *SB 1922*

If enacted into law, SB 1922 will make significant changes to LABF and MEABF. Certain provisions relating to the City’s contributions to LABF and MEABF under SB 1922 are discussed above in “—Determination of City’s Contributions — City’s Required Contributions to LABF and MEABF Pursuant to SB 1922.” The SB 1922 Funding Plan will have the effect of significantly increasing the City’s contributions to LABF and MEABF.

In addition, SB 1922 would impact LABF and MEABF as follows:

- The cost of living adjustment (“COLA”) would be skipped in 2017, 2019 and 2025 for retired members that would otherwise be entitled to receive them and who have an annuity greater than \$22,000;
- Members who retire after the effective date of SB 1922 are not eligible to receive a COLA adjustment until one full year after they otherwise would have.
- For Tier I Members, the COLA rate would be reduced to the lesser of 3.0% or 50% of the CPI-u, except that retirees with an annual annuity of less than \$22,000 will receive at least a 1% COLA in each year, including in the COLA skip years described above;

- For Tier II Members, the minimum eligibility age for unreduced retirement benefits would be reduced to 65 with 10 years of service and, for reduced retirement benefits, to age 60 with 10 years of service;
- Employee contribution rates for both Tier I Members and Tier II Members would be increased to 9.0% in 2015, 9.5% in 2016, 10.0% in 2017, 10.5% in 2018 and 11.0% for 2019 and after until the respective Retirement Fund reaches a 90% Funded Ratio, at which point the employee contribution rate would be reduced to 9.75%; and
- Institutes a Recapture Provision with respect to MEABF and LABF.

SB 1922 further provides that the City's contribution to LABF and MEABF may be paid with any available funds of the City. Beginning in 2015, the Pension Levy would no longer be the default funding mechanism for MEABF and LABF; however, the City may still enact a Pension Levy for up to the full amount of its required pension contribution to MEABF and LABF if the City Council approves such levy amount. See "Determination of City Contributions" above.

The City's consulting actuary has prepared projections of City contributions and funded status of LABF and MEABF based on the enactment of SB 1922. Such projections are based on the data, assumptions and methods used in the actuarial valuations for LABF and MEABF as of December 1, 2012. Tables 16 and 17 provide such projections as compared to projected results under current Pension Code provisions.

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**TABLE 16 – PROJECTED CONTRIBUTIONS: MEABF AND LABF<sup>(1)</sup>**

Tax Levy Year	LABF			MEABF		
	Contributions to LABF Under Current Law	Contributions to LABF under SB 1922	Increase in Contributions to LABF under SB 1922	Contributions to MEABF Under Current Law	Contributions to MEABF under SB 1922	Increase in Contributions to MEABF under SB 1922
2015	\$ 15.9	\$ 15.9	\$ 0.0	\$ 169.8	\$ 169.8	\$ 0.0
2016	16.2	26.0	90.8	175.4	259.6	84.2
2017	16.6	33.5	16.9	181.3	330.2	148.9
2018	17.1	42.1	25.0	187.4	410.6	223.2
2019	17.6	51.9	34.3	193.6	501.1	307.5
2020	18.2	63.0	44.8	199.9	602.7	402.8
2021	18.8	82.4	63.6	206.4	696.9	490.5
2022	19.4	84.7	65.3	212.9	714.6	501.7
2030	234.6	105.0	(129.6)	1,379.3	862.7	(516.6)
2040	247.3	130.4	(116.9)	1,675.1	1,095.5	(579.6)
2050	219.1	155.4	(63.7)	1,603.3	1,425.6	(187.3)
2054	218.1	166.1	(52.0)	11.99	1,574.9	(28.4)

Source Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds  
Projection derived from actuarial data as of December 31, 2012

(1) In millions of dollars

**TABLE 17 – PROJECTED FUNDED RATIOS: MEABF AND LABF<sup>(1)</sup>**

Fiscal Year	LABF		MEABF	
	Funded Ratio Under Current Law	Funded Ratio Under SB 1922	Funded Ratio Under Current Law	Funded Ratio Under SB 1922
2015	50.24%	58.20%	30.82%	35.73%
2016	47.96	56.69	28.40	34.04
2017	44.96	54.82	25.60	32.54
2018	41.78	53.21	22.63	31.51
2019	38.39	51.98	19.48	31.06
2020	34.76	51.08	16.10	31.12
2021	30.86	50.87	12.48	31.64
2022	26.67	50.65	8.60	32.13
2030	0.00	49.37	0.00	36.18
2040	0.00	53.31	0.00	44.97
2050	0.00	75.31	0.00	72.29
2054	0.00	90.00	0.00	90.00

Source Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds  
Projection derived from actuarial data as of December 31, 2012

(1) In millions of dollars

SB 1922 also provides that, beginning on January 1, 2015, the Retirement Board of LABF or MEABF may bring a mandamus action to compel the City to make the contributions required by the Pension Code, in addition to other remedies that may be available by law.

SB 1922 further provides that the court may order a reasonable payment schedule to enable the City to make payments without imperiling the City's public health, safety, or welfare.

Under SB 1922, such payments are expressly subordinated to the payment of the principal, interest, premium, if any, and other payments on or related to any bonded debt obligation of the City, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from any funds collected or received by the City or collected or received on behalf of the City. Per SB 1922, such payments on bonded obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law, City Ordinance, or bond indentures, into debt service funds or accounts of the City related to such bonded obligations, consistent with the payment schedules associated with such obligations.

For projections of the impact of SB 1922 on City contributions and the Retirement Funds' respective Funded Ratios, see Tables 16 and 17.

### **Pension Reform**

The City continues to believe that significant legislative changes, such as those that would take effect if SB 1922 becomes law, are required to properly fund the Retirement Funds and continues to consider the options available to address those unfunded liabilities. Based on its work in developing pension reform proposals and other analysis, the City believes that the Retirement Funds' unfunded liabilities cannot be adequately and practically addressed through increases in the City's contributions alone and without a modification to the current level of benefits. If the City attempted to fund such increased contributions through an increase in taxes, the increase would be larger than any increase in recent history, politically difficult to enact, and harmful to the City's financial condition and, likely, its economy. If the City attempted to fund such increased contributions through expenditure cuts, essential City services, including, but not limited to, public health and safety, would be jeopardized. And the amount that could be derived from the sale of City assets would be inconsequential when compared to the Retirement Funds' unfunded liabilities. Finally, a combination of revenue increases and expenditure cuts likely would not be practical to address the unfunded liabilities, given their magnitude. This is true both when considering the Retirement Funds on their own, and when viewed collectively with the unfunded liabilities of the Other Retirement Funds, whose sponsoring Governmental Units' have tax bases that overlap with the City's tax base. See "—Overlapping Tax Bodies." Therefore, the City believes that modifications in the benefits provided by each of the Retirement Funds are necessary, in combination with any increases in employer and employee contributions, to adequately address the unfunded liabilities of the Retirement Funds.

No assurance can be given that SB 1922 will become law or that other legislation addressing the needs of the Retirement Funds will be enacted. Additionally, given the Illinois Pension Clause in the Illinois Constitution, any legislation which reduces benefits may be challenged under this constitutional provision, and no assurance can be given that such legislation will be upheld upon a legal challenge.

The City continues to make its statutory contributions to each Retirement Fund.

## OTHER POST-EMPLOYMENT BENEFITS

### General

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the “*Health Plan*”), which is administered by the City. Prior to June 30, 2013, the costs of the Health Plan were shared pursuant to a settlement agreement (as amended, the “*Settlement*”) entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits as described below under “—The Settlement.”

MEABF and LABF participants older than 55 with at least 20 years of service and PABF and FABF participants older than 50 with at least 10 years of service may become eligible for the Health Plan if they eventually become an annuitant. The Health Plan provides basic health benefits to non-Medicare eligible annuitants and provides supplemental health benefits to Medicare-eligible annuitants.

The City contributes a percentage toward the cost of the Health Plan for each eligible annuitant. Annuitants who retired prior to July 1, 2005 receive a 55% subsidy from the City, whereas annuitants retiring on or after such date receive a subsidy equal to 50%, 45%, 40% or zero percent based on the annuitant’s length of actual employment with the City. The Retirement Funds contribute a fixed dollar amount monthly (\$65 for each Medicare-eligible annuitant and \$95 for each non-Medicare eligible annuitant) for each of their annuitants. The annuitants are responsible for contributing the difference between the cost of their health benefits and the sum of the subsidies provided by the City and the related Retirement Fund.

The Retirement Funds’ subsidies are paid from the Pension Levy, as provided in the Pension Code. These payments therefore reduce the amounts available in the Retirement Funds to make payments on pension liabilities. See Tables 5-9 in “Retirement Funds—Funded Status of Retirement Funds” above for Retirement Funds’ statement of net assets, which incorporates the expense related to the Health Plan as part of the “Administration” line item. The Pension Levy is described in “Retirement Funds—Determination of City’s Contributions” above.

### The Settlement

In 1987, the City sued the Retirement Funds asserting, among other things, that the City was not obligated to provide healthcare benefits to certain retired City employees. Certain retired employees intervened as a class in the litigation, and the Retirement Funds countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into the Settlement, the terms of which have been renegotiated over time. The City contributed to the Health Plan as a result of the obligation established by the Settlement during the term of the Settlement (the “*Settlement Period*”). The Settlement expired on June 30, 2013. See “—Status of Healthcare Benefits After the Settlement Period” below.

### City Financing of the Health Plan

The Health Plan is funded on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets are not accumulated or dedicated to funding the Health Plan. Instead, the City contributes the amount necessary to fund its share of the current year costs of the Health Plan. The City’s contributions are made from funds derived from the Pension Levy, which is described above in “Retirement Funds —Determination of City’s Contributions” as required by the Pension

Code. See Table 19 below for a schedule of historical contributions made by the City to the Health Plan.

## **Actuarial Considerations**

### *City Obligation*

The City has an Actuarial Valuation completed for its contributions to the Health Plan annually. The purpose and process behind an Actuarial Valuation is described above in “Retirement Funds — The Actuarial Valuation — Actuaries and the Actuarial Process.” In addition, the Retirement Funds produce an Actuarial Valuation for the liability of such Retirement Fund to its retirees for the benefits provided under the Health Plan.

Although these Actuarial Valuations all refer to the liability owed for the same benefits, the results of the Retirement Funds’ Actuarial Valuations differ significantly from the City’s Actuarial Valuation for two reasons. First, the City’s Actuarial Valuation only reflects the portion of liabilities the City owes under the Settlement. Second, the Actuarial Valuations of the City and the Retirement Funds differ because the actuarial methods and assumptions used for each purpose vary.

This Appendix addresses the funded status of the City’s obligation to make payments for the Health Plan. For additional information on the amounts owed to members of the Retirement Funds for retiree healthcare benefits, see the Actuarial Valuations of the Retirement Funds, which are available as described in “Retirement Funds—Source Information” above, and Note 11(b) to the City’s Basic Audited Financial Statements, which are available on the City’s website at [http://www.cityofchicago.org/city/en/depts/fin/supp\\_info/comprehensive\\_annualfinancialstatements.html](http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements.html); provided, however, that the contents of the City’s website are not incorporated herein by such reference.

### *Actuarial Methods and Assumptions*

The Actuarial Valuation for the City’s obligation to the Health Plan utilizes various actuarial methods and assumptions similar to those described in “Retirement Funds” above with respect to the Retirement Funds. The City does not use an Actuarial Method to calculate the Actuarial Value of Assets of the Health Plan because no assets are accumulated therein for payment of future benefits. As such, the Actuarial Value of Assets for the Health Plan is always zero.

The City’s Actuarial Valuation employs the PUC Method to allocate the City’s obligations under the Settlement. For more information on the PUC Method, see “Retirement Funds—Actuarial Methods” above.

The City’s 2012 Actuarial Valuation amortizes the Health Plan’s UAAL over a closed 1-year period, in order to reflect the remainder of the Settlement Period. The use of a closed, 1-year period has the effect of increasing the Actuarially Required Contribution as compared to the typical 30-year open amortization period because (i) the period of time over which the UAAL will be amortized is shorter, and (ii) the amortization period is one year as opposed to remaining at 30 years for each period going forward.

## Funded Status

The following tables provide information on the financial health of the Health Plan. The Health Plan is funded on a pay-as-you-go basis, which means no assets are accumulated to pay for the liabilities of the Health Plan. As such, the Funded Ratio with respect to the Health Plan is perpetually zero.

Table 18 summarizes the current financial condition and the funding progress of the Health Plan.

**TABLE 18 – SCHEDULE OF FUNDING PROGRESS<sup>(1)</sup>**

<b>Actuarial Valuation Date (Dec. 31)</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Payroll</b>
2007	\$0	\$1,062,864	\$1,062,864	0%	\$2,562,007	41.5%
2008	0	787,395	787,395	0	2,475,107	31.8
2009	0	533,387	533,387	0	2,546,961	20.9
2010	0	390,611	390,611	0	2,475,000	15.8
2011	0	470,952	470,952	0	2,518,735	18.7

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending December 31, 2010-2012.

(1) In thousands of dollars

(2) The City, as required, adopted GASB Statement No. 45 in fiscal year 2007. The information provided in this table was produced in 2007 or later.

Table 19 shows the amounts actually contributed to the Health Plan by the City.

**TABLE 19 – HISTORY OF CITY'S CONTRIBUTIONS<sup>(1)</sup>**

	<b><u>Actual City Contribution</u></b>
2008	\$98,065
2009	98,000
2010	107,431
2011	99,091
2012	97,531

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending 2008-2012

(1) In thousands of dollars

(2) The City, as required, adopted GASB Statement No. 45 in fiscal year 2007

## Retiree Health Benefits Commission

The Settlement provided for the creation of the Retiree Health Benefits Commission (the "RHBC"), which was tasked with, among other things, making recommendations concerning retiree health benefits after June 30, 2013. The RHBC's members were appointed by the Mayor of the City for terms that do not expire. The Settlement required that the RHBC be composed of

experts who will be objective and fair-minded as to the interest of both retirees and taxpayers, and include a representative of the City and a representative of the Retirement Funds.

On January 11, 2013, the RHBC released its “Report to the Mayor’s Office on the State of Retiree Healthcare” (the “*RHBC Report*”). The RHBC Report can be found on the City’s website at [http://www.cityofchicago.org/city/en/depts/fin/provdrs/ben/alerts/2013/jan/retiree\\_healthcarebenefitscommissionreporttothemayor.html](http://www.cityofchicago.org/city/en/depts/fin/provdrs/ben/alerts/2013/jan/retiree_healthcarebenefitscommissionreporttothemayor.html); provided, however, that the contents of the RHBC Report and of the City’s website are not incorporated herein by such reference.

The RHBC Report concluded that maintaining the funding arrangement then in place for the Health Plan was untenable, would prevent the City from continuing to provide the current level of benefits to retirees in the future, and could result in other financial consequences, such as changes to the City’s bond rating and its creditworthiness. The RHBC Report presented several options for the Mayor to consider which would reduce the level of spending with respect to the Health Plan from approximately \$108 million annually to between \$90 million and \$12.5 million annually depending on the option.

#### **Status of Healthcare Benefits After the Settlement Period**

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to employees who retired before August 23, 1989 with a contribution from the City of up to 55% of the cost of that plan; and (ii) beginning January 1, 2014, provide employees who retired on or after August 23, 1989 with healthcare benefits but with significant changes to the terms provided by the Health Plan, including increases in premiums and deductibles, reduced benefits and the phase-out of the entire Health Plan for such employees by the beginning of 2017.

On May 30, 2013, the General Assembly passed Senate Bill 1584, which was signed into law by the Governor on June 28, 2013. Senate Bill 1584 extends the Retirement Funds’ subsidies for retiree healthcare costs until such time as the City no longer provides a health care plan for annuitants or December 31, 2016, whichever comes first.

After the June 30, 2013 expiration of the Settlement, on July 5, 2013, certain participants in the Health Plan filed a motion to “re-activate” the 1987 litigation covered by the Settlement. On July 17, 2013, the Circuit Court of Cook County, Illinois denied that motion. On July 23, 2013, certain of the participants filed a new lawsuit (the “*Lawsuit*”) in the Circuit Court against the City and the Trustees of each of the four Retirement Fund Boards, seeking to bring a class action on behalf of former and current City employees who previously contributed or now contribute to one of the four Retirement Funds. The plaintiffs assert, among other things, that pursuant to the Illinois Pension Clause, each such City employee is entitled to a permanent and unreduced level of healthcare coverage by the City, which vests as of the date they began participating in any of the four Retirement Funds and is subsidized by their respective Retirement Fund. The City subsequently moved the Lawsuit to federal court, and filed a motion to dismiss the Lawsuit with prejudice. The court granted the City’s motion to dismiss, and plaintiffs appealed and motioned for an injunction pending the appeal. The court denied plaintiffs’ motion for an injunction and subsequently determined that the plaintiffs’ appeal should be held in abeyance pending the resolution of *Kanerva* (defined below). The City intends to vigorously defend the appeal.

On August 16, 2013, the City filed a brief as *amicus curiae* with the Supreme Court of Illinois in the case of *Kanerva v. Weems* (“*Kanerva*”). Although the City is not a party in the



Kanerva litigation, the City believes that the outcome of the Kanerva case may impact the law at issue in the Lawsuit, particularly with respect to the question of whether retiree health benefits are protected by the Pension Clause.

The City expects to save approximately \$100 million annually beginning in 2017 as a result of the phase-out of the Health Plan.

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**APPENDIX C**

**CITY OF CHICAGO**

**FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL**

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June \_\_, 2014

City of Chicago  
121 North LaSalle Street, Suite 700  
Chicago, Illinois 60602

Loop Capital Markets LLC  
111 West Jackson Blvd, Suite 1901  
Chicago, Illinois 60604

Amalgamated Bank of Chicago, as trustee  
One West Monroe Street, 3<sup>rd</sup> Floor  
Chicago, Illinois 60603

Assured Guaranty Municipal Corp.  
31 West 52<sup>nd</sup> Street  
New York, New York 10019

We have examined a certified copy of the record of proceedings of the City of Chicago, Illinois (the "City"), together with various accompanying certificates, pertaining to the issuance by the City of \$105,895,000 aggregate original principal amount of its Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the "Bonds"). The record of proceedings includes the City's Motor Fuel Tax Revenue Bonds General Ordinance, adopted by the City Council of the City on November 28, 1990, as amended (the "General Ordinance"), the City of Chicago 2013 Series and Supplemental Ordinance Authorizing the Issuance of Motor Fuel Tax Revenue Bonds, Series 2013 and Motor Fuel Tax Revenue TIFIA Bond(s) and Certain Amendments to the General Ordinance, adopted by the City Council of the City on March 13, 2013, and the related Determination Certificate executed by a duly authorized officer of the City (together, the "Series 2013 Bond Ordinance" and, together with the General Ordinance, the "Bond Ordinances"), together providing for the issuance of the Bonds, and certificates of officers of the City, the Illinois Department of Transportation and the representative of the purchasers of the Bonds as to various factual matters. Regarding questions of fact material to our opinion, we have relied upon such certificates without undertaking to verify the representations and certifications contained in those certificates by independent investigation.

The Bonds mature on January 1 in the years 2015 through 2033, inclusive. The Bonds bear interest, are subject to redemption in advance of their maturity, are in such form and have such other terms, all as provided in the Bond Ordinances.

Based upon this examination, we are of the opinion that:

1. The City had the legal right and power to adopt each of the Bond Ordinances. The Bond Ordinances have been duly and lawfully adopted by the City, are in full force and effect and are valid and binding upon the City. The Series 2013 Bond Ordinance conforms to the requirements of the General Ordinance.

2. The Bonds are valid and legally binding limited obligations of the City as provided in the Bond Ordinances and are entitled to the benefits of the General Ordinance as amended by the Series 2013 Bond Ordinance. The Bonds have been duly and validly authorized and issued in accordance with law and are in accordance with the General Ordinance as amended by the Series 2013 Bond Ordinance. The Bonds, together with Motor Fuel Tax Revenue Bonds which (a) have been issued in the past and remain outstanding after the issuance of the Bonds and (b) may be issued in the future on a parity with the Bonds and the outstanding Motor Fuel Tax Revenue Bonds, have a claim for payment, as to principal, redemption premium, if any, and interest, on an equal and ratable basis solely from (a) Additional City Revenues (as defined in the Bond Ordinances), (b) Motor Fuel Tax Revenues (as defined in the Bond Ordinances) received by the City from the Motor Fuel Tax Fund in the Treasury of the State of Illinois pursuant to the Motor Fuel Tax Law, 35 ILCS 505/1 et seq., which lawfully may be used for the payment of municipal indebtedness, and (c) amounts in the various funds and accounts provided for in the Bond

Ordinances, all as and to the extent and in the priority as provided for in the Bond Ordinances. The Bonds do not have a claim for payment from taxes of the City.

3. Interest on the Bonds under present law is excludable from "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance of the City with its covenant in the Bond Ordinances to comply with all requirements which must be met in order for interest on the Bonds not to be included in gross income for federal income tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Bonds could be included in gross income for federal income tax purposes retroactive to the date the Bonds are issued. Interest on the Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law. Interest on the Bonds will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations. Interest on the Bonds is not exempt from present Illinois income taxes.

Ownership of the Bonds may result in collateral federal income tax consequences for certain taxpayers, including, without limitation, certain financial institutions, certain property and casualty insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Ownership of the Bonds may also result in collateral state and local tax consequences for certain taxpayers. We express no opinion as to such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such consequences.

The rights of the holders of the Bonds and the enforceability of provisions of the Bonds and the Bond Ordinances may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Bonds or the Bond Ordinances by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result if the validity or tax-exempt status of the Bonds are challenged. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date. In addition, we have not undertaken any obligation to assist the City in complying with those requirements described in paragraph 3 above which the City must meet after the date of this opinion in order for interest on the Bonds not to be included in gross income for federal income tax purposes under present law.

Respectfully yours,

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**APPENDIX D**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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**EXHIBIT C****REFUNDED BONDS**

<b><u>Bonds</u></b>	<b><u>Maturities (January 1)</u></b>	<b><u>Principal Amount of Bonds to be Redeemed or Defeased</u></b>	<b><u>Coupon</u></b>	<b><u>Redemption Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP</u></b>
Series 2003A	2015	\$3,695,000	5.25%	July 22, 2014	100.00%	16756KBQ9
Series 2003A	2016	3,885,000	5.25	July 22, 2014	100.00%	16756KBR7
Series 2003A	2017	4,090,000	5.25	July 22, 2014	100.00%	16756KBS5
Series 2003A	2018	4,305,000	5.25	July 22, 2014	100.00%	16756KBT3
Series 2003A	2019	4,530,000	5.25	July 22, 2014	100.00%	16756KBV0
Series 2003A	2020	4,765,000	5.25	July 22, 2014	100.00%	16756KBV8
Series 2003A	2021	5,015,000	5.00	July 22, 2014	100.00%	16756KBW6
Series 2003A	2022	5,270,000	5.00	July 22, 2014	100.00%	16756KBX4
Series 2003A	2023	5,530,000	5.00	July 22, 2014	100.00%	16756KBY2
Series 2003A	2024	5,815,000	5.00	July 22, 2014	100.00%	16756KBZ9
Series 2003A	2025	6,105,000	5.00	July 22, 2014	100.00%	16756KCA3
Series 2003A	2026	6,410,000	5.00	July 22, 2014	100.00%	16756KCB1
Series 2003A	2028	13,805,000	5.25	July 22, 2014	100.00%	16756KCC9
Series 2003A	2033	41,170,000	5.00	July 22, 2014	100.00%	16756KCD7
<b>Total</b>		<b>\$114,390,000</b>				

## EXHIBIT D

### SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

[Date of Closing]

City of Chicago  
121 North LaSalle Street, Suite 700  
Chicago, Illinois 60602

Loop Capital Markets LLC  
111 West Jackson Blvd., Suite 1901  
Chicago, Illinois 60604

We have served as co-bond counsel in connection with the issuance of \$105,895,000 aggregate original principal amount of Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the “**Bonds**”) of the City of Chicago, Illinois (the “**City**”). We have given our separate opinion today as co-bond counsel as to the validity of the Bonds (the “**Approving Opinion**”).

The following opinion is based upon the same examination of the record of proceedings and accompanying certificates, and is subject to the same limitations, as described in the Approving Opinion. In addition to the items included in the record of proceedings listed in the Approving Opinion, the record of proceedings includes executed copies of the Bond Purchase Agreement, dated June 5, 2014, between the City and the underwriters of the Bonds (the “**Bond Purchase Agreement**”) and of the Official Statement, dated June 5, 2014, of the City relating to the Bonds (the “**Official Statement**”).

Based upon our examination as described in the Approving Opinion, we are further of the opinion as follows:

1. The Bonds are exempt from registration under the Securities Act of 1933, as amended (the “**Securities Act**”), and the Bond Ordinances (as defined in the Approving Opinion) are exempt from qualification under the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”). It is not necessary, in connection with the initial public offering and sale of the Bonds, to register any securities under the Securities Act or to qualify the Bond Ordinances under the Trust Indenture Act.
2. The City has duly approved the Official Statement.
3. The statements in the Official Statement under the captions “Official Statement Summary” (other than under the subcaptions “Use of Proceeds,” “Bond Insurance,” “Additional City Revenues,” “Motor Fuel Tax Revenues,” “The Retirement Funds,” “Other Post-Employment Benefits,” “Risk Factors” and “Ratings”), “Introduction,” “The Series 2013 Bonds” (other than the description of DTC under the subcaption

“Book-Entry Only System”), “Security for the Series 2013 Bonds,” and “Summary of Certain Provisions of the General Ordinance and the Series 2013 Bond Ordinance After the Effectiveness of the Amendments” (Appendix A to the Official Statement) have been reviewed by us and, insofar as those statements purport to summarize certain provisions of the Bonds and the Bond Ordinances, such statements present a fair and accurate summary of those provisions. The statements in the Official Statement under the caption “Tax Exemption” and in Appendix C, insofar as such statements constitute conclusions of law or summarize our legal opinions, present a fair and accurate summary of such conclusions or opinions.

4. The execution and delivery on behalf of, and the performance by, the City of the Bond Purchase Agreement have been duly authorized by the City. The Bond Purchase Agreement is a binding contractual obligation of the City, enforceable against the City in accordance with its terms if it is a valid and binding obligation of the Underwriters (as to which we express no opinion).

The obligations of the City and the enforceability of provisions of the Bond Purchase Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Bond Purchase Agreement by any equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief.

Except as stated in paragraph 3 of this letter, we have not undertaken to determine independently the accuracy or completeness of the Official Statement. However, we state that during our participation in the issuance of the Bonds as co-bond counsel (which has included participation in conferences with you and your counsel concerning portions of the Official Statement), nothing has come to our attention which has caused us to believe that the Official Statement (except for the description of DTC under the caption “The Series 2013 Bonds — Book-Entry Only System,” the description of Assured Guaranty Municipal Corp. under the caption “Bond Insurance” and the financial and statistical data in the Official Statement, as to which no view is expressed), as of its date contained or as of the date of this opinion contains an untrue statement of a material fact or as of its date omitted or as of the date of this opinion omits to state a material fact necessary to make the statements in it, in light of the circumstances under which they were made, not misleading.

Respectfully yours,



## **EXHIBIT E**

### **OPINION OF CORPORATION COUNSEL OF THE CITY**

[Date of Closing]

Loop Capital Markets LLC  
On behalf of the Underwriters  
named in the hereinafter-described  
Bond Purchase Agreement  
111 West Jackson Blvd., Suite 1901  
Chicago, Illinois 60604

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 11(a)(iv) of the contract dated June 5, 2014 (the “*Bond Purchase Agreement*”) between the City of Chicago (the “*City*”) and Loop Capital Markets LLC, representative of a group of Underwriters, respecting the purchase of its \$105,895,000 Motor Fuel Tax Revenue Bonds, Series 2013 (Issue of June 2014) (the “*Bonds*”) that are being issued pursuant to the home rule powers of the City under Article VII, Section 6(a) of the Illinois Constitution of 1970, and under and pursuant to the City of Chicago 2013 Series and Supplemental Ordinance Authorizing the Issuance of City of Chicago Motor Fuel Tax Revenue Bonds, Series 2013 and Motor Fuel Tax Revenue TIFIA Bond(s) and Certain Amendments to the General Ordinance, duly adopted by the City Council of the City (the “*City Council*”) on March 13, 2013 (the “*Series 2013 Bond Ordinance*”) and the Motor Fuel Tax Revenue Bonds General Ordinance of the City duly adopted by the City Council on November 28, 1990, as amended (the “*General Ordinance*”). The Series 2013 Bond Ordinance and the General Ordinance are collectively referred to as the “*Ordinances*.”

In connection with the issuance of the Bonds, I have caused to be examined a certified copy of the record of proceedings of the City Council pertaining to the issuance of the Bonds by the City, the Official Statement (the “*Official Statement*”) dated June 5, 2014 relating to the Bonds, and executed counterparts of the following documents:

- (a) the Bond Purchase Agreement; and
- (b) that certain Escrow Deposit Agreement dated the date hereof (the “*Escrow Agreement*”) between the City and Amalgamated Bank of Chicago, as Escrow Agent; and
- (c) that certain Continuing Disclosure Undertaking dated the date hereof pursuant to the requirements of Section (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission (the “*Continuing Disclosure Undertaking*”).

On the basis of such examination and review of such other information, records and documents as was deemed necessary or advisable, I am of the opinion that:

1. The City is a home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois with full power and authority, among other things, to adopt the Ordinances, to authorize, issue and sell the Bonds and to execute the Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Undertaking.

2. The Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Undertaking have been duly authorized, executed and delivered by, and the Ordinances have been duly adopted by, the City, and, assuming the due execution and delivery by the other parties thereto, as appropriate, such instruments constitute legal and valid obligations of the City in each case enforceable in accordance with their respective terms except as may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally.

3. To my knowledge, compliance with the provisions of the Bonds, the Ordinances, the Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Undertaking does not conflict in a material manner with, or constitute a material breach of or material default under, any applicable law, administrative regulation, court order or consent decree of the State of Illinois, or any department, division, agency or instrumentality thereof or of the United States of America or any ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

4. To my knowledge, all approvals, consents and orders of and filings (except with respect to state "blue sky" or securities laws) with any governmental authority, board, agency or commission having jurisdiction which would constitute conditions precedent to the performance by the City of its obligations under the Bond Purchase Agreement, the Ordinances, the Escrow Agreement, the Continuing Disclosure Undertaking and the Bonds have been obtained.

5. There is no litigation or proceeding pending, or to my knowledge, threatened, materially affecting the existence of the City or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or contesting the validity or enforceability of the Bonds, the Ordinances, the Bond Purchase Agreement, the Escrow Agreement or the Continuing Disclosure Undertaking, or the completeness or accuracy of the Official Statement, of the powers of the City or its authority with respect to the Bonds, the Ordinances, the Bond Purchase Agreement, the Escrow Agreement or the Continuing Disclosure Undertaking.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding any descriptions of The Depository Trust Company and Assured Guaranty Municipal Corp., information under the captions "THE SERIES 2013 BONDS — Book-Entry Only System," "TAX EXEMPTION" "RATINGS" and "UNDERWRITING" and in APPENDICES B and C, information furnished by the Underwriters and Assured Guaranty Municipal Corp. for use in the Official Statement and all other financial and statistical data contained in the Official Statement, including in the Appendices thereto, as to all of which no opinion is expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

No opinion is expressed as to any “blue sky” or other securities laws or as to the laws regarding taxation of any state or the United States, or any disclosure or compliance related thereto.

The statements contained herein are made in an official capacity and not personally and no personal responsibility shall derive from them. Further, the only opinions that are expressed are the opinions specifically set forth herein, and no opinion is implied or should be inferred as to any other matter or transaction.

No one other than you shall be entitled to rely on this opinion.

Very truly yours,

Stephen R. Patton  
Corporation Counsel

**EXHIBIT F**

**OPINION OF UNDERWRITERS' COUNSEL**

[Date of Closing]

Loop Capital Markets LLC  
on behalf of itself and the other Underwriters  
named in the hereinafter-described  
Bond Purchase Agreement  
111 West Jackson Blvd., Suite 1901  
Chicago, Illinois 60604

Re: \$105,895,000 Motor Fuel Tax Revenue Refunding Bonds, Series 2013  
(Issue of June 2014)

Ladies and Gentlemen:

We have acted as counsel to the Underwriters in connection with the issuance by the City of Chicago (the "City"), of its \$105,895,000 aggregate original principal amount of Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the "Bonds"), which are being delivered to the Underwriters on the date hereof pursuant to the Bond Purchase Agreement dated June 5, 2014 (the "Agreement") by and among the Underwriters and the City. This opinion is furnished pursuant to Section 11(a)(v) of the Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Agreement.

In rendering this opinion, we have examined:

- (i) the Agreement;
- (ii) the Official Statement;
- (iii) the Ordinances;
- (iv) the Undertaking;
- (v) the legal opinions, agreements, and certificates delivered pursuant to Section 11 of the Agreement; and
- (vi) such other documents, certificates, instruments and records as we have considered necessary or appropriate for purposes of this opinion.

In examining the documents referred to above, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of documents purporting to be originals and the conformity to originals of all documents submitted to us as copies. As to questions of fact material to our opinion, we have relied (without investigation or independent

confirmation) upon the representations contained in the documents and on certificates and other communications from public officials, officers and agents of the City and Amalgamated Bank of Chicago. We have also assumed that each of the documents has been duly authorized, executed and delivered by and constitutes the legal and valid obligation of each party thereto, and is enforceable there against in accordance with its terms.

We express no opinion as to the laws of any jurisdiction other than the laws of the State of Illinois (except that we express no opinion as to any choice of law provisions thereof) and the Federal laws of the United States of America.

Based on the foregoing, and subject to the qualifications, assumptions and limitations set forth herein, we are of the opinion that:

1. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and it is not necessary in connection with the public offering and sale of the Bonds to register any security under the Securities Act, and no ordinance in respect of the Bonds is required to be qualified under the Trust Indenture Act of 1939, as amended.

2. The Undertaking complies with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, in effect as of the date of the Closing.

As indicated above, we examined various documents and participated in conferences with representatives of the City, the City's financial advisor, Co-Bond Counsel, Co-Disclosure Counsel and the Underwriters at which times the contents of the Official Statement and related matters were discussed. We have not made an independent investigation of factual matters and have not verified and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement. We confirm, however, that in the course of our examination and during the above-mentioned conferences, nothing has come to our attention which would lead us to believe that the Official Statement and the Appendices thereto (excluding financial and statistical data contained in the Official Statement, Appendixes B and C, the information concerning DTC and its book-entry system, and the information concerning Assured Guaranty Municipal Corp., as to which no view is expressed), contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The opinions expressed herein are matters of professional judgment and are not a guarantee of result.

This opinion is solely for the information of the addressee hereof and is not to be quoted in whole or in part or otherwise referenced, nor is it to be filed with any governmental agency or any other person, without or prior written consent, and no one other than the addressee hereof is entitled to rely on this opinion. This opinion is given to you as of the date hereof, and we assume no obligation to advise you of any change which may hereafter be brought to our attention.

Very truly yours,

**EXHIBIT G**

**FORM OF LETTERS FROM CHAPMAN AND CUTLER LLP**

[Date of Closing]

City of Chicago  
121 North LaSalle Street, Suite 700  
Chicago, Illinois 60602

Re:       \$105,895,000 City of Chicago Motor Fuel Tax Revenue Refunding  
              Bonds, Series 2013 (Issue of June 2014) (the “*Bonds*”)

Ladies and Gentlemen:

We have acted as special disclosure counsel to you, the City of Chicago (the “*City*”), solely in connection with the information contained in Appendix B — “RETIREMENT FUNDS” (the “*Pension Section*”) of the Official Statement dated June 5, 2014 (the “*Official Statement*”) relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees’ Annuity and Benefit Fund of Chicago, the Policemen’s Annuity and Benefit Fund of Chicago, the Firemen’s Annuity and Benefit Fund of Chicago, and the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (collectively, the “*Retirement Funds*”), including the representations and warranties of the City in the Bond Purchase Agreement dated June 5, 2014, between the City and Loop Capital Markets LLC, on behalf of itself and the other underwriters named therein (collectively, the “*Underwriters*”). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein, including, without limitation, any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds, the tax treatment of interest on the Bonds for federal income tax purposes, and the application of Bond proceeds in accordance with the authorization therefor). We have assumed that all records, reports,

documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as special disclosure counsel to the City, to assist you in discharging your responsibility with respect to the Pension Section, we participated in conferences and correspondence with representatives of the City, the City's attorneys, the Underwriters, counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as special disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as special disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; and (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein.

We express herein no opinion or belief with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the

Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Section. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Official Statement and the Bond Purchase Agreement with respect to the Bonds and included in the transcript of proceedings for the Bonds. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,



[Date of Closing]

Loop Capital Markets LLC,  
as Representative of the Underwriters  
named in the Bond Purchase Agreement  
described below

Re: \$105,895,000 City of Chicago Motor Fuel Tax Revenue Refunding  
Bonds, Series 2013 (Issue of June 2014) (the "*Bonds*")

Ladies and Gentlemen:

We have acted as special disclosure counsel to the City of Chicago (the "*City*"), solely in connection with the information contained in Appendix B — "RETIREMENT FUNDS" (the "*Pension Section*") of the Official Statement dated June 5, 2014 (the "*Official Statement*") relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the "*Retirement Funds*"), including the representations and warranties of the City in the Bond Purchase Agreement dated June 5, 2014 between the City and Loop Capital Markets LLC, on behalf of itself and the other underwriters named therein (collectively, the "*Underwriters*"). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as special disclosure counsel to the City, to assist it in discharging its responsibility with respect to the Pension Section, we participated in conferences

and correspondence with your representatives, representatives of the City, the City's attorneys, counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as special disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as special disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as your counsel for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to you nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for your purposes.

We express herein no opinion or belief with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the

Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Section and is solely for the benefit of the Underwriters. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Official Statement and the Bond Purchase Agreement with respect to the Bonds and included in the transcript of proceedings for the Bonds. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

## **EXHIBIT H**

### **OPINION OF CO-DISCLOSURE COUNSEL**

[Date of Closing]

City of Chicago  
Chicago, Illinois

#### **CITY OF CHICAGO**

**\$105,895,000**

#### **Motor Fuel Tax Revenue Refunding Bonds Series 2013 (Issue of June 2014)**

Ladies and Gentlemen:

We have acted as your co-disclosure counsel in connection with your issuance of the above-referenced bonds (the “Bonds”) pursuant to a bond purchase agreement dated June 5, 2014 (the “Bond Purchase Agreement”) by and between you and Loop Capital Markets LLC, on behalf of itself and the other underwriters listed in Schedule I of the Bond Purchase Agreement (collectively referred to as the “Purchasers”). In connection with the issuance of the Bonds and in accordance with our understanding with you, we rendered legal advice and assistance in the course of your review and participation in the preparation of the official statement dated June 5, 2014 relating to the Bonds (the “Official Statement”).

In our capacity as your co-disclosure counsel, we have assisted you in the preparation of the Official Statement. In the course of such participation we have reviewed information furnished to us by, and have participated in conferences or otherwise with your representatives, your attorneys and your finance department; Phoenix Capital Partners, LLP, as your financial advisor (“Financial Advisor”); the Purchasers; Ice Miller LLP and Quintairos, Prieto, Wood & Boyer, P.A., as co-bond counsel (“Co-Bond Counsel”); Charity & Associates, P.C., as underwriters’ counsel (“Underwriters’ Counsel”); and Chapman and Cutler LLP, as the City’s special disclosure counsel (“Special Disclosure Counsel”). We have also reviewed certain documents, certificates and opinions delivered to the Purchasers and you in connection with the issuance of the Bonds and other documents and records relating to the issuance and sale of the Bonds. In addition, we have relied upon statements, certificates and letters of your officials, your finance department, your attorneys, the Illinois Department of Transportation, Co-Bond Counsel, Underwriters’ Counsel, Special Disclosure Counsel, the Purchasers and the Financial Advisor. However, we have not independently investigated or verified the accuracy, completeness or fairness of any of the statements included in the Official Statement.

Based solely on the foregoing, we advise you that, although we have made no independent investigation or verification of the accuracy, fairness or completeness of, and do not pass upon or assume any responsibility for, the statements included in the Official Statement,

during the course of the activities described in the preceding paragraph, no information came to the attention of the attorneys in our firm rendering legal services in connection with the issuance of the Bonds which causes us to believe that the Official Statement (except for (i) the information relating to The Depository Trust Company and its book-entry system, (ii) the information relating to Assured Guaranty Municipal Corp. contained or incorporated by reference in "BOND INSURANCE," (iii) information with respect to the financial statements, financial, statistical and numerical information, cash flows, revenues, forecasts, estimates, assumptions and expressions of opinion included therein, (iv) the information describing the opinion of Co-Bond Counsel in "TAX EXEMPTION" and the form of approving opinions of Co-Bond Counsel in Appendix C, and (v) the information in Appendix B to the Official Statement, as to all of which we express no view), as of the date of this letter, contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

This letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. We assume no obligation to review or supplement this letter subsequent to its date, whether by reasons of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Respectfully,

**EXHIBIT I**

**FORM CERTIFICATE OF THE  
ILLINOIS DEPARTMENT OF TRANSPORTATION**

**CERTIFICATE OF THE ILLINOIS DEPARTMENT OF  
TRANSPORTATION**

I, John Fortmann, the Deputy Director-Division of Highways, Region 1 Engineer of the Illinois Department of Transportation (the “***Department***”), do hereby certify as of the date hereof that to the best of my knowledge the information contained in the attached Distribution of the Illinois Motor Fuel Tax Fund Flow Chart and State Motor Fuel Tax Funds Collections and City Motor Fuel Tax Revenues Table, both of which will be included in the offering document relating to the sale by the City of Chicago (the “***City***”) of its Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the “***Bonds***”) in an aggregate principal amount not to exceed \$150,000,000, accurately and correctly describe and set forth the collections, allocations and distributions by the State of Illinois of amounts required to be deposited into its Motor Fuel Tax Fund since 2003. In addition, I do further certify that the City has informed the Department of its intention to issue the Bonds pursuant to its powers as a home rule municipality under Section 6(a) of Article VII of the 1970 Illinois Constitution for the purposes of (a) paying the costs and expenses associated with the issuance of the Bonds, including, but not limited to credit enhancement professional services, printing and other related costs (the “***Permitted Expenses***”); and (b) refunding certain of the City’s outstanding Motor Fuel Tax Revenue Bonds. I hereby approve the disbursement by the City of Motor Fuel Tax Revenues<sup>1</sup> to pay the principal and redemption price, if any, of and interest on the Bonds and the Permitted Expenses.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the 28<sup>th</sup> day of May, 2014.

ILLINOIS DEPARTMENT OF  
TRANSPORTATION

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Name: John Fortmann  
Title: Deputy Director-Division of  
Highways, Region 1 Engineer

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<sup>1</sup>“Motor Fuel Tax Revenues” means the amounts paid to or on behalf of the City from the Motor Fuel Tax Fund in the Treasury of the State of Illinois pursuant to Section 8 of the Motor Fuel Tax Law of the State of Illinois, 35 ILCS 505/1 et seq.

**EXHIBIT J**

**FORM REPRESENTATION LETTER FROM UNDERWRITERS**

**REPRESENTATION LETTER**

[Date of Purchase Agreement]

City of Chicago  
Office of Chief Financial Officer  
121 North LaSalle Street, Suite 700  
Chicago, Illinois 60602  
Attn: Chief Financial Officer

Loop Capital Markets LLC  
111 West Jackson Blvd., Suite 1901  
Chicago, Illinois 60604

Pursuant to the Bond Purchase Agreement dated June 5, 2014 (the "Purchase Agreement") between the City of Chicago (the "City") and Loop Capital Markets LLC, as representative (the "Representative") of the underwriters named therein (each an "Underwriter") relating to the \$105,895,000 City of Chicago Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the "Bonds"), the undersigned Underwriter severally represents to the City and the Representative with respect to itself that:

(1) Neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the Directorate of Defense Trade Controls of the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

For purposes of this representation, "*Affiliate*," when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert, whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise).

(2) The undersigned Underwriter agrees that in the event that any Underwriter or any of its Affiliates appears on any of the lists described in paragraph 1 above, at any time prior to the Closing (as defined in the Purchase Agreement) with respect to the Bonds, that Underwriter shall be deemed to have withdrawn from the Group of Underwriters under the Negotiated AAU Wire dated June 3, 2014 related to the Bonds.

(3) The undersigned Underwriter hereby represents (i) it is duly registered under the 1934 Act (as defined in the Purchase Agreement) as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements; (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("FINRA") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities; and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers the Bonds for sale. The undersigned Underwriter further represents, warrants and covenants that it is and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale of the Bonds including but not limited to compliance with Chapter 2-56 and 2-156 of the Municipal Code of Chicago as described under Section 18 of the Purchase Agreement.

(4) The undersigned Underwriter (except for the Representative) has and does authorize the Representative to act as Representative of the Underwriter and to execute any document on behalf of, or exercise any authority of and otherwise to act for, it in all matters under or pertaining to the Purchase Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



IN WITNESS WHEREOF, the undersigned has caused this Representation Letter in connection with the City of Chicago Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) to be executed by its duly authorized representative as of the date written above.

\_\_\_\_\_  
NAME OF UNDERWRITER

By:\_\_\_\_\_

Its:\_\_\_\_\_

**EXHIBIT B**

**ESCROW DEPOSIT AGREEMENT**

## **ESCROW DEPOSIT AGREEMENT**

This ESCROW DEPOSIT AGREEMENT (this "**Agreement**"), dated as of June 19, 2014, is between the CITY OF CHICAGO (the "**City**") and AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as Trustee (the "**Trustee**") under the General Ordinance (defined below), and AMALGAMATED BANK OF CHICAGO, as Escrow Trustee under this Agreement (the "**Escrow Trustee**").

### **1. Preliminary.**

(a) The City issued and there are outstanding \$114,390,000 of its Motor Fuel Tax Revenue Bonds, Series 2003A (the "**Series 2003A Bonds**"). The Series 2003A Bonds were authorized by and issued under the provisions of the City's Motor Fuel Tax Revenue Bonds General Ordinance adopted by the City Council of the City (the "**City Council**") on November 28, 1990 (the "**General Ordinance**"), as amended by (i) the 2003 Series Ordinance, adopted by the City Council on March 5, 2003 (the "**Series 2003 Ordinance**") and (ii) the 2013 Series Ordinance, adopted by the City Council on March 13, 2013 (the "**Series 2013 Ordinance**"). The City is now issuing \$105,895,000 of its Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) (the "**Series 2013 Bonds**"). The Series 2013 Bonds were authorized by and are being issued under the provisions of the General Ordinance and the Series 2013 Ordinance. Terms not otherwise defined in this Agreement shall have the same meaning assigned to those terms in the General Ordinance.

(b) The outstanding Series 2003A Bonds mature on January 1 of each of the years in the amounts and bear interest at the rates per year shown in the following table:

<b><u>Maturity Year</u></b>	<b><u>Principal Amount Maturing</u></b>	<b><u>Interest Rate</u></b>
2015	\$ 3,695,000	5.250%
2016	3,885,000	5.250%
2017	4,090,000	5.250%
2018	4,305,000	5.250%
2019	4,530,000	5.250%
2020	4,765,000	5.250%
2021	5,015,000	5.000%
2022	5,270,000	5.000%
2023	5,530,000	5.000%
2024	5,815,000	5.000%
2025	6,105,000	5.000%
2026	6,410,000	5.000%
2028	13,805,000	5.250%
2033	41,170,000	5.000%

The Series 2003A Bonds maturing on January 1, 2028 and January 1, 2033 are term bonds subject to mandatory sinking fund redemption in advance of their respective maturity dates.

(c) The outstanding Series 2003A Bonds are payable as to interest on each January 1 and July 1 (each an "**Interest Payment Date**") to and including their date of maturity or earlier redemption by check mailed by the Trustee to their registered owners at their addresses shown on the registration books of the City maintained by the Trustee, such registered owners being the persons in whose names the Series 2003A Bonds are registered at the close of business on the 15<sup>th</sup> day of the month next preceding an interest payment date. Principal and redemption premium of the Series 2003A Bonds are payable at the principal corporate office of the Trustee. The outstanding Series 2003A Bonds are subject to optional redemption in advance of their maturity on any date on or after July 1, 2013, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the redemption date.

(d) As more fully described in this Agreement, the City has determined to provide for the refunding of \$114,390,000 of the outstanding Series 2003A Bonds described above in subsection (b) (the "**Refunded Bonds**") by depositing with the Escrow Trustee an amount sufficient to pay (i) the interest due on the Refunded Bonds on July 1, 2014 and (ii) the redemption price of the Refunded Bonds on July 22, 2014 (the "**Redemption Date**"). The City directs the Trustee to, on June 19, 2014, transfer \$2,908,593.75 held by the Trustee pursuant to the Series 2003 Ordinance to the Escrow Trustee for deposit into the Escrow Account to be held as cash to pay the interest due on the Refunded Bonds on July 1, 2014.

## **2. Creation of Escrow Account.**

There is created and established with the Escrow Trustee an escrow account designated City of Chicago Escrow Account # 1855466003 (the "**Escrow Account**") to be held in the custody of the Escrow Trustee. The Escrow Account shall be held as a trust fund for the benefit of the registered owners of the Refunded Bonds, separate and apart from all other funds of the City, the Trustee or the Escrow Trustee, all as provided in this Agreement.

## **3. Deposits in, Investments of and Transfers from the Escrow Account; Optional Redemption; Defeasance.**

(a) Upon the execution and delivery of this Agreement, the City irrevocably deposits with the Escrow Trustee, for deposit in the Escrow Account, the amount of \$117,635,855.17 (the "**Escrow Deposit**"). The Escrow Deposit is derived from a portion of the proceeds of the sale of the Series 2013 Bonds and other moneys of the City. Pending their application as provided in subsections (c) and (d) below, amounts constituting the Escrow Deposit, any Government Obligations in which such amounts are invested, and any interest or investment earnings on such amounts, shall be held in trust by the Escrow Trustee and invested by the Escrow Trustee at the direction of the City in Government Obligations maturing not later than the Redemption Date. Of the Escrow Deposit, \$114,727,261.00 shall be applied on the date the Escrow Deposit is made to purchase the following Government Obligations:

<u>Type</u>	<u>Type of SLG</u>	<u>Maturity Date</u>	<u>First Interest Payment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
SLGS	Certificate	July 22, 2014	July 22, 2014	\$114,727,261	0.020%

(b) Receipt is acknowledged by the Trustee of irrevocable instructions from the City to provide notice of the redemption of the Refunded Bonds. The Trustee agrees that it will give notice of the redemption of the Refunded Bonds to be redeemed on the Redemption Date, not more than 60 and not less than 30 days prior to the Redemption Date, by first class mail, postage prepaid, to each registered owner of the Refunded Bonds at the address shown on the bond registration books of the City maintained by the Trustee as Bond Registrar, and as otherwise required by Section 405 of the General Ordinance and Section 205 of the 2003 Series Ordinance. The form of such notice of redemption to be given by the Trustee shall be substantially in the form of ***Exhibit A*** attached to this Agreement.

(c) On July 1, 2014, the Escrow Trustee shall pay from the Escrow Account to the Trustee, from amounts on deposit in the Escrow Account, an amount equal to \$2,908,593.75, the interest due on the Refunded Bonds on such date.

(d) On the Redemption Date, the Escrow Trustee shall pay from the Escrow Account to the Trustee, from amounts on deposit in the Escrow Account, an amount equal to the principal amount of the Refunded Bonds plus interest due on the Refunded Bonds on the Redemption Date.

(e) Upon all amounts being applied, as required, to the payment of the redemption price of the Refunded Bonds as set forth in subsection (d) above, any remaining amounts in the Escrow Account shall be paid by the Escrow Trustee to the City as its property free and clear of the General Ordinance and this Agreement.

(f) Upon the deposit into the Escrow Account of the Escrow Deposit on June 19, 2014, the Trustee agrees that it will give notice of the defeasance of the Refunded Bonds as required pursuant to that certain undertaking (the "**Undertaking**") that the City entered into in connection with the issuance of the Refunded Bonds as required by Rule 15c2-12 of the Securities Exchange Act of 1934. The form of such notice of defeasance to be given by the Trustee shall be substantially in the form of ***Exhibit B*** attached to this Agreement. The Trustee shall promptly provide the City with a copy of the confirmation received by the Trustee with respect to such notice.

**4. Acknowledgment of Receipt of Escrow Deposit.**

The Escrow Trustee acknowledges receipt of the Escrow Deposit.

**5. Acceptance by Escrow Trustee; Investment of Cash Balances.**

By this Agreement, the Escrow Trustee establishes the Escrow Account, accepts the Escrow Deposit, and agrees to apply the Escrow Deposit and the maturing principal of, and interest on, any Government Obligations in which the Escrow Deposit shall be invested in accordance with the provisions of this Agreement and the provisions of the Series 2013 Ordinance.

**6. Actions By Escrow Trustee.**

The Escrow Trustee has all of the powers and duties set forth under this Agreement with no liability in connection with any act or omission to act under this Agreement, except for its own negligence or willful breach of trust, and shall be under no obligation to institute any suit or action or other proceeding under this Agreement or to take any steps in the enforcement of its, or any, rights and powers under this Agreement, nor shall the Escrow Trustee be deemed to have failed to take any such action, unless and until it shall have been indemnified by the City to its satisfaction against any and all costs and expenses, outlays, counsel fees and other disbursements, including its own reasonable fees, and if any judgment, decree or recovery is obtained by the Escrow Trustee, payment of all sums due it, as aforesaid, shall be a first charge against the amount of any such judgment, decree or recovery.

**7. Fees and Expenses of Escrow Trustee.**

The City agrees to pay the Escrow Trustee, from funds other than those in the Escrow Account, its customary and reasonable fees and expenses, including reasonable attorneys' fees and expenses, for services rendered by the Escrow Trustee under this Agreement. The Escrow Trustee agrees that it shall have no claim against or lien upon any money or investments in the Escrow Account for payment of its fees or expenses or for payment of any amounts owed to it by the City under this Agreement (including, without limitation, under Section 6 of this Agreement) or otherwise. The Escrow Trustee waives any right it may have to set off against amounts in the Escrow Account or to apply such moneys or investments as collateral for any such obligation.

**8. Reports.**

Within 45 days after the Redemption Date, the Escrow Trustee shall submit to the City a report covering all money it shall have received and all payments it shall have made or caused to be made under this Agreement on and during the six months ending on the preceding Interest Payment Date. In addition, the report shall set forth the amounts, if any, transferred by the Escrow Trustee to the City, as provided in Section 3(e) of this Agreement.

**9. Escrow Is Binding.**

(a) All of the rights, powers, duties and obligations of the Escrow Trustee under this Agreement shall not be subject to amendment by the Escrow Trustee and shall be binding on any successor to the Escrow Trustee during the term of this Agreement.

(b) All of the rights, powers, duties and obligations of the City under this Agreement shall not be subject to amendment by the City and shall be binding on any successor to the City during the term of this Agreement.

**10. Receipt by Escrow Trustee of Ordinances.**

(a) Receipt of true and correct copies of each of the General Ordinance, the Series 2003 Ordinance and the Series 2013 Ordinance is acknowledged by the Escrow Trustee.

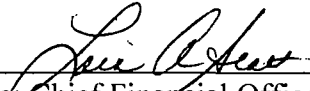
**11. Escrow Irrevocable.**

The Escrow Account created by this Agreement shall be irrevocable. This Agreement shall terminate when the Escrow Trustee shall have (i) paid all funds from the Escrow Account in accordance with Sections 3(c), (d) and (e) of this Agreement and (ii) submitted the reports required by Section 8.

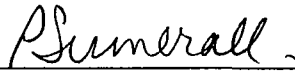
**[SIGNATURE PAGE FOLLOWS]**

The City, the Trustee and the Escrow Trustee have each caused this Agreement to be executed by its duly authorized officers as of its date.


**CITY OF CHICAGO**

By:   
Title: Chief Financial Officer

**AMALGAMATED BANK OF CHICAGO**, as  
Trustee under the General Ordinance

By:   
Title: Senior Vice President

**AMALGAMATED BANK OF CHICAGO**,  
as Escrow Trustee

By:   
Title: Senior Vice President



**EXHIBIT A**  
**NOTICE OF REDEMPTION**  
**\$114,390,000**  
**CITY OF CHICAGO**  
**MOTOR FUEL TAX REVENUE BONDS, SERIES 2003A**

<b><u>Maturities</u></b> <b><u>(January 1)</u></b>		<b><u>Principal Amount</u></b> <b><u>of Bonds to be</u></b> <b><u>Redeemed</u></b> <b><u>or Defeased</u></b>	<b><u>Coupon</u></b>	<b><u>Redemption</u></b> <b><u>Price</u></b>	<b><u>CUSIP</u></b>
2015	\$	3,695,000	5.25%	100.00%	16756KBQ9
2016		3,885,000	5.25%	100.00%	16756KBR7
2017		4,090,000	5.25%	100.00%	16756KBS5
2018		4,305,000	5.25%	100.00%	16756KBT3
2019		4,530,000	5.25%	100.00%	16756KBU0
2020		4,765,000	5.25%	100.00%	16756KBV8
2021		5,015,000	5.00%	100.00%	16756KBW6
2022		5,270,000	5.00%	100.00%	16756KBX4
2023		5,530,000	5.00%	100.00%	16756KBY2
2024		5,815,000	5.00%	100.00%	16756KBZ9
2025		6,105,000	5.00%	100.00%	16756KCA3
2026		6,410,000	5.00%	100.00%	16756KCB1
2028		13,805,000	5.25%	100.00%	16756KCC9
2033		41,170,000	5.00%	100.00%	16756KCD7
<b>Total</b>	<b>\$</b>	<b>114,390,000</b>			

Notice is given to the owners of the bonds described above (the “**Bonds**”) that the City of Chicago (the “**City**”) has exercised its option to call the Bonds for redemption and payment in the principal amount shown above. The Bonds mature and bear interest as shown above and will be redeemed on July 22, 2014, at a redemption price shown above plus accrued interest to the redemption date. On such date, the redemption price of the Bonds, together with interest accrued to that date, shall become due and payable. The Bonds will be paid upon surrender of the Bonds to Amalgamated Bank of Chicago, the trustee for the Bonds (the “**Trustee**”), at its principal corporate trust office at One West Monroe Street, Chicago, Illinois 60603, Attention: \_\_\_\_\_, for payment to such owner of the redemption price plus accrued interest.

The owners of the Bonds are directed to present them for payment at the principal corporate trust office of the Trustee set forth above, where the Bonds will be paid. Owners of the Bonds may contact the Trustee with questions or for additional information by calling \_\_\_\_\_, at (312) \_\_\_\_\_.

Notice is further given that the Bonds will cease to bear interest from and after July 22, 2014.

Notice dated: June 19, 2014

**BY: AMALGAMATED BANK OF CHICAGO,**  
as Trustee

**FOR: CITY OF CHICAGO**

# EXHIBIT B

## MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

### NOTICE OF MATERIAL EVENT: REFUNDING AND LEGAL DEFEASANCE

**\$114,390,000**

**CITY OF CHICAGO**

**MOTOR FUEL TAX REVENUE BONDS, SERIES 2003A**

<u>Maturities</u> <u>(January 1)</u>		<u>Principal Amount</u> <u>of Bonds to be</u> <u>Redeemed</u> <u>or Defeased</u>	<u>Coupon</u>	<u>Redemption</u> <u>Price</u>	<u>CUSIP</u>
2015	\$	3,695,000	5.25%	100.00%	16756KBQ9
2016		3,885,000	5.25%	100.00%	16756KBR7
2017		4,090,000	5.25%	100.00%	16756KBS5
2018		4,305,000	5.25%	100.00%	16756KBT3
2019		4,530,000	5.25%	100.00%	16756KBU0
2020		4,765,000	5.25%	100.00%	16756KBV8
2021		5,015,000	5.00%	100.00%	16756KBW6
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2026		6,410,000	5.00%	100.00%	16756KCB1
2028		13,805,000	5.25%	100.00%	16756KCC9
2033		41,170,000	5.00%	100.00%	16756KCD7
<b>Total</b>	<b>\$</b>	<b>114,390,000</b>			

Notice is given to the owners of the bonds described above (the "**Bonds**") that the City of Chicago (the "**City**") has deposited with Amalgamated Bank of Chicago, the trustee for the Bonds (the "**Trustee**"), in its capacity as Escrow Trustee under the Escrow Deposit Agreement dated as of June 19, 2014, an escrow composed of \$117,635,855.17 (the "**Escrow Deposit**"). Of the Escrow Deposit, \$114,727,261.00 shall be applied on the date the Escrow Deposit is made to purchase \$114,727,261.00 in principal amount of noncallable direct obligations of the United States of America and an amount equal to \$2,908,593.75 in cash shall be applied to pay the interest due on the Bonds on July 1, 2014.

The Bonds will be redeemed on July 22, 2014 (the "**Redemption Date**"), at a price of 100% of the principal amount thereof, without any premium, plus accrued interest to such redemption date. The principal of and interest on the Escrow Deposit will provide sufficient money to pay principal of and interest and premium (if any) on the Bonds when due to the Redemption Date.

All of the Bonds are deemed to have been paid in accordance with Section 1201 of the City's Motor Fuel Tax Revenue Bonds General Ordinance adopted by the City Council of the City (the "**City Council**") on November 28, 1990, as amended from time to time (the "**General Ordinance**"). The Bonds are no longer secured by the liens created by the General Ordinance, and are instead secured by and payable only from the irrevocable Escrow Deposit described above.

Notice dated: June 19, 2014

**BY: AMALGAMATED BANK OF CHICAGO,**  
as Trustee

**FOR: CITY OF CHICAGO**

**EXHIBIT C**

**PRELIMINARY OFFICIAL STATEMENT**

**See Exhibit B of the Bond Purchase Agreement  
Attached as Exhibit A hereto**

**EXHIBIT D**

**OFFICIAL STATEMENT**